

The Organisation of the Treasury & C.S.D.
 Report of the Treasury & Civil Service
 Committee: Discussion with Mr Do Carm
PART 4

GOVERNMENT

MACHINERY

PT 1 March 1980

PT 4 May 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8-9-81							
24-9-81							
16-10-81							
19-10-81							
30-10-81							
At ends							

PREM 19/4/76

Material used by
 official Historian
 DO NOT DESTROY

PART 4 ends:-

CAW to PM 30.10.87 (5)

PART 5 begins:-

RPA to CAW A05887 4.11.87 (5)

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Treasury and Civil Service Sub-Committee, Session 1979-80 "The Role and Powers of the Civil Service Department": Minutes of Evidence, 18 June, 2 and 9 July, 29 October, 5 and 12 November; all published by HMSO

Signed Wayland Date 28 July 2011

PREM Records Team

SECRET

Govt Machine 89
Chivi - we will
go ahead

PRIME MINISTER

Can I see Janet
Young &
Barney on Monday

FUTURE OF THE CENTRAL DEPARTMENTS

Suggest we announce
by Thursday
statements
mt.

You said yesterday that you hoped to be able to return to the question of the future of the central departments over the weekend. I accordingly enclose in the folder below the papers you will need.

The top document, Sir Ian Bancroft's minute of 28 October and the latest drafts of a statement and of supplementaries, is the only one which you have not had before. All the others (Flags A-E) were submitted to you earlier in the month but, as far as I can see, you never had time to study them. Among them are the report by Permanent Secretaries on the reallocation of the Civil Service Department functions which was done while you were in Australia; a minute from Sir Ian Bancroft giving his personal views on the proposals; and another minute from him making recommendations on the reallocation of Permanent Secretary posts in the central departments.

mt.

PS. There is now a minute of today's date from Sir Robert Armstrong suggesting a change to the draft statement. It is immediately revised Sir Ian Bancroft's submission of 28 Oct.

mt.

30 October 1981

SECRET

Secret & Personal 7B



Permanent Secretary
Civil Service Department

Mr Whitmore *W.*

Sir Ian Barnard has asked
me to let you have the
enclosed copy of Mr Osmeather's
minute of today's date - on
a strictly personal basis.

J. G. Chman

30/10/81

SECRET

SECRET

7A

Cancel Ops file

✓

PS/SIR IAN BANCROFT

cc Sir John Herbecq
First Parliamentary Counsel
Mr Wilding
Mr D L Davies (T Sol)
Mr Towers
Miss Bacon
Mr J K Moore

PROCEDURE AND TIMING OF THE TRANSFER OF FUNCTIONS ORDER

... You said you would find it helpful to have a note about the procedure to which the Order would be subject and the timetable. Anything I say on the subject must be subject to correction by Mr Engle. But I hope the attached note will provide the information you had in mind.

Perhaps the key point is that the next meeting of the Privy Council is on 24 November. How soon after that the Order should be laid and subsequently should be brought into effect are matters on which Mr Engle, Sir Robert Armstrong, Sir Douglas Wass and, of course, Ministers, will have views. But I think we would be inviting hostile comment if the Order were brought into effect before, say, 1 December.

Even commencement on 1 December would involve leaving one less day between the Council and laying than paragraph 4.68 of Statutory Instrument Practice says is normal; and it would leave far less than the period of 21 days between laying and bringing into effect that paragraph 5.21 says should "be strictly observed wherever possible." While it would not be right to wait all 21 days, we want to avoid giving the impression of being in an unholy rush. So my own suggestion is that the Order might be brought into effect on a working day between Tuesday, 1 December and Monday, 7 December.

U.S. 0

E B C OSMOTHERLY
MG
30 October 1981

SECRET

~~SECRET~~

THE TRANSFER OF FUNCTIONS ORDER

1. The Order will be an Order in Council made under section 1 of the Ministers of the Crown Act 1975.
2. The Order will be subject to negative resolution procedure (section 5(2) of the 1975 Act).
3. The next meeting of the Privy Council is due on 24 November. So if the announcement were made by 10 November, there should be time to complete work on the Order in time for it to be considered by the Privy Council on 24 November. (The Privy Council Office would like to have all draft Orders by 18 November but could wait a couple of days longer for us if necessary.)
4. Orders in Council are normally laid 5 days after the Council (excluding Saturdays and Sundays). But exceptionally, the Order may be laid within less than 5 days. If the normal practice were followed, the Order would be laid on 2 December.
5. The general rule is for Orders subject to negative resolution to be brought into effect 21 calendar days after laying. That would mean that the Order would be brought into effect on 23 December if it were laid on 31 December. Orders may, however, be brought into effect within less than 21 days where there are good reasons for doing so; those reasons would need to be explained to the Joint Committee on Statutory Instruments.
6. In this case, it would seem wrong to wait so long before bringing the Order into effect. It may be best, therefore, to bring the Order into effect within a few days of its being laid and not later than Monday, 7 December.
7. Orders subject to negative procedure may be annulled in pursuance of a resolution of either House. Such resolutions ("prayers") may be moved within 40 days of the laying of the Order. In computing the 40 days, weekends are included but no account is taken of time during which both Houses are adjourned for more than 4 days. So the period during which the Order can be prayed against will extend beyond the Christmas Recess. For example, if:
 - (a) the Order were laid on 2 December
and
 - (b) both Houses adjourned from, say, 23 December to, say, 18 January

~~SECRET~~

~~SECRET~~
~~SECRET~~

the "praying period" would not expire until 4 February (if my sums are right).

8. Orders subject to negative resolution are often brought into effect before the 40 days expires. If either House prays against an Order after it has come into effect

- (a) no further proceedings may be taken under the Order after the date of the resolution,
and
- (b) Her Majesty may revoke the Order but
- (c) the resolution and revocation do not affect the validity of anything previously done under the Order.

EBC

E B C OSMOTHERLY
MG
30 October 1981

~~SECRET~~
~~SECRET~~



The other papers on this subject are in the list but have not been sent down to Messrs. [unclear] today.

The Chancellor's amendments seem sensible to me. Contact with them?

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

AMH
30x.

PRIME MINISTER

30 October 1981

FUTURE OF THE CENTRAL DEPARTMENTS

I have been studying the documents sent to you by Sir Ian Bancroft on 28 October. They seem to me to be generally on the right lines, and I have only two comments to make on them.

2. The first concerns the background briefing on the reasons for the split, and the reasons why you are not proceeding with the merging of the whole of the CSD and the Treasury, the option you considered a year ago. I am not entirely happy with the answer to Question 1 of the Notes for Supplementaries, not least because it could be construed as implying that any extra function given to me will not get the attention it should receive. It would to my mind be particularly unfortunate if such a presentation were to give the impression that the important questions of Civil Service pay and manpower control were somehow going to become Cinderella activities in the Treasury. As you know I have no intention of allowing this to be the case. Nor would I relegate the pursuit of efficiency or any other function now performed by the CSD to a background role. It seems to me that a better answer to Question 1 would run rather on the following lines:-

(X) ✓ MS
 "There are certain aspects of Civil Service management with which ~~only~~ the Prime Minister must be ^{personally closely} concerned, notably personnel management and appointments. Furthermore I have myself taken a keen personal interest in the promotion of efficiency in the Civil Service, and to this end I appointed Sir Derek Rayner in May 1979 to his present post with a remit to report directly to me. I have decided therefore that in addition to the function of personnel management a special responsibility for the pursuit of efficiency should be vested in a Department, the Office of Management and Personnel, for which I shall be directly responsible."



3. My second comment concerns the minute you are being advised to send to the Home Secretary with copies to all other Cabinet colleagues. I think that it would be an advantage here to convey to the whole Cabinet your desire that the members of the CSD should be located as closely as possible to their colleagues in their new departments. As you will recall this is something to which you attached importance when we considered a complete merger of the CSD with the Treasury. I think it is no less important in the arrangements now proposed. It will not be easy to persuade colleagues whose staff will have to move to make room for the CSD and there will no doubt be some resistance to the upheaval involved. It would be a considerable help to those who will have to make the new disposition if your own commitment to relocation were expressed in this minute. I suggest something on the following lines as a new paragraph 6(a):-

✓ mb
"In order to extract the maximum benefit from the reorganisation, I shall wish to see the staff at present in the CSD accommodated in the same building as their new departments as soon as possible."

4. I am sending a copy of this minute to the Chancellor of the Duchy of Lancaster, Sir Ian Bancroft, Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass.

gwh

GEOFFREY HOWE

SECRET

AND PERSONAL



10 DOWNING STREET

ccs Tsy
CDO
CO

Tsy - Wass

CO - Rayner

File A H 6

Gorb Mach

From the Principal Private Secretary

SIR IAN BANCROFT

FUTURE OF THE CENTRAL DEPARTMENTS

The Prime Minister has not yet had an opportunity to consider the revised drafts of a Parliamentary statement and notes for supplementaries about the reallocation of the Civil Service Department's functions which you submitted with your minute of 28 October 1981 but she hopes to be able to turn her attention to them over the weekend.

She has, however, come to a decision about the timing of the announcement. She accepts that, because of the problem of the House of Lords which you mention in your minute, she will not be able to make public her decisions about the central departments in her speech on the Address next Wednesday. She has therefore reverted to her intention to make the announcement by means of a statement in the week beginning 9 November. I will let you know as soon as I can which day in that week it will be.

I am sending copies of this minute to Mr Kerr (Treasury), Mr Buckley (Office of the Chancellor of the Duchy of Lancaster), Sir Robert Armstrong, Sir Douglas Wass, and Sir Derek Rayner.

JWL. CS

30 October 1981

SECRET AND PERSONAL

Ref. A05855

MR. WHITMORE

Prime Minister

Agree to his change ?

MW

30x.

Future of the Central Departments

The draft Parliamentary statement which Sir Ian Bancroft sent to the Prime Minister on 28th October included as paragraph 9 a bleakly factual account of the retirement of Sir Ian Bancroft and Sir John Herbecq.

2. Sir Douglas Wass, Sir Derek Rayner and I very much hope that, when she makes the statement, the Prime Minister will feel able to include in this paragraph some words acknowledging both the spirit in which Sir Ian Bancroft and Sir John Herbecq have accepted early retirement and their long careers of distinguished service. The paragraph might be recast on the following lines:

"Sir Ian Bancroft, Head of the Home Civil Service and Permanent Secretary to the Civil Service Department, and Sir John Herbecq, the Second Permanent Secretary, both of whom were due to retire by the end of next year, have with characteristic public spirit accepted that these changes mean their departure from the public service some months early, and will accordingly be retiring [at the end of next week]. I am glad to place on record my appreciation and gratitude for the many years of distinguished service they have given to the country. On Sir Ian Bancroft's retirement Sir Robert Armstrong and Sir Douglas Wass, the Permanent Secretary to the Treasury, will become Joint Heads of the Civil Service".

3. I am sending copies of this minute to Sir Douglas Wass and Sir Derek Rayner.

RA

ROBERT ARMSTRONG

30th October, 1981

Robert - this does not make them enough. It is about 3/4 sent. Put it in to Mr

Prime Minister.

4A

You decided yesterday that, because of the problem with the Lords which is mentioned below, you could not make the proposed announcement in your speech next Wednesday but would have to do it by means of a statement in the week beginning 9 November.

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

AMW

30.10.71.

On 16 October I sent you drafts of a Parliamentary statement and notes for supplementaries about the reallocation of the CSD's functions. There has been the opportunity since then to discuss the drafts with Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass and we have reached broad agreement on the enclosed revised version. Also enclosed are drafts of a Note for the Commons and Lords Library and of a minute from you to your colleagues giving them advance notice of your decision.

2. As you know, we believe that the sooner your decision can be announced the better. Although we had been working towards an announcement during the week beginning 9 November, I understand that you may wish to make the announcement during your speech on the Address on 4 November, which would have the advantage of being earlier. On the other hand, you will wish to consider how easily it would fit into your speech, and the difficulty which may arise in the House of Lords where presumably a parallel statement would need to be made on what is usually a very formal occasion. If you decide to make the announcement on 4 November we can complete all the necessary preparations provided we know by first thing on the morning of Monday, 2 November that you are content with the drafts.

3. There is only one explanation I need offer on the drafts. In law, the CSD will continue as the department responsible for assisting you with your Minister for the Civil Service manpower and pay responsibilities until the Transfer of Functions Order comes into effect. There could be legal difficulties, therefore, if decisions on these matters were to come from Treasury officials during the interim period. And it would be confusing for everyone if the Office of Management and Personnel (OMP) began life before the "rump" of the CSD had been transferred to the Treasury. For this reason, we recommend that the CSD should disappear and OMP begin life when the Order comes into effect a few weeks after the announcement.

4. I am sending copies of this minute and the enclosure to the Chancellor of the Exchequer, the Chancellor of the Duchy, and to Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass.

JRB

IAN BANCROFT
28 October 1981

SECRET

Draft of 28th October 1981

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

With permission, Mr Speaker, I should like to make a statement on the organisation of the central Departments.

2. We have made a good deal of progress in the last two and a half years in controlling the cost and size of the Civil Service and in improving its efficiency. But I believe that the time has come when some organisational changes will help us to make sure that this progress is maintained.

3. Setting up the Civil Service Department thirteen years ago had a number of advantages as compared with the situation as it existed before; but it had one consequence whose disadvantages have become increasingly apparent over time: it divorced central responsibility for the control of manpower from responsibility for the control of Government expenditure. I judge that the balance of advantage now lies in favour of consolidating the CSD's manpower control responsibilities with the central direction of resource control.

4. I therefore propose to reunify responsibility for the central allocation and control of all resources, and to make the Treasury responsible for control over Civil Service manpower, pay, superannuation, allowances and for the Central Computer and Telecommunications Agency. My Hon

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the member for Halifax

Friend ~~X~~ [^] ~~X~~ will be appointed as a Minister of State in the Treasury to help in the discharge of these responsibilities. He will answer in this House for the whole range of Civil Service matters.

My hon friend the member for Knaresborough, who is currently a Minister of State in the Treasury, will continue the duties of the Secretary in the Treasury.

5. I now turn to the Civil Service Department's other responsibilities. It remains my view that there should not be a total merger of the Treasury and the Civil Service Department. The selection, development and motivation of the Civil Service and its efficiency in carrying out its functions should have as much attention and priority as the control of public expenditure. The machinery of Government should make special provision for this, since it is a subject in which any Prime Minister is bound to take a close personal interest. I have decided, therefore,

at P.M.

that ~~I~~ ^{and} should continue to be Minister for the Civil Service. ~~I shall~~ ^{and} be responsible for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters. ~~I am glad to be able to tell the House that~~ ^{the Chair of the Party will on the} ~~assist me in the day-to-day discharge of these responsibilities.~~

*note
my ~~return~~ friend the
Chairman of the
Duty of Ministers
etc, is at present,
discharge these
responsibilities on
a day-to-day basis.
He will also answer
in another place
for the whole range
of Civil Service matters.*

was held
6. The staff ~~who assist me~~ will work alongside the Cabinet Office in a new Office of Management and Personnel. ^{Office} Sir Robert Armstrong will be Permanent Secretary of this Office and will also continue as the Secretary of the Cabinet to head the Cabinet Office. He will be assisted on the business of the new Office by Mr John Cassels, Second Permanent Secretary.

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7. An Order in Council will be necessary to transfer the responsibilities for Civil Service manpower and remuneration to the Treasury. The Order will be laid before Parliament shortly. In preparation for its coming into effect the new arrangements will be introduced administratively from ¹⁶ [9] November. During the interim period, the Chancellor of the Exchequer will have charge on my behalf of the functions to be transferred to the Treasury. When the Order comes into effect, the new ~~Office~~ of Management and Personnel ^{Office} will be formally set up and the manpower and other functions will be legally vested in the Treasury. Thereafter, there will not be a department known as the Civil Service Department.

8. There will be some staff savings as a result of the new arrangements.

Take in (X)

9. Sir Ian Bancroft, Head of the Home Civil Service and Permanent Secretary to the Civil Service Department, and Sir John Herbecq, the Second Permanent Secretary, both of whom were due to retire by the end of next year, have accepted that these changes mean their departure from the public service some months early, and will accordingly be retiring ~~at the end of this week~~. On Sir Ian's retirement, Sir Robert Armstrong and Sir Douglas Wass, the Permanent Secretary to the Treasury, will become Joint Heads of the Home Civil Service.

*I am frustrated
to find that when
we go to the Treasury
and discuss the
details of the
proposals to the Treasury*

Shan place

10. ^{Shan place} Copies of a note setting out the distribution of functions between the Treasury and the ~~Office~~ of Management and Personnel ^{Office} have been placed in the Library.

NOTES FOR SUPPLEMENTARIES

Q1 WHY NOT JUST MERGE CSD AND THE TREASURY?

(X) → A Because I believe that our drive for improved efficiency and better management in the Civil Service could not be given the time and attention it requires if the CSD were simply merged en bloc with the Treasury. One of our objectives is to strengthen the control of public expenditure and that can best be done by unifying all central responsibility for resource allocation and control under the Chancellor of the Exchequer. But we also need an organisation whose prime aim is to improve the management and efficiency of the Civil Service. I believe it is right that I should continue to put my own authority and personal attention behind this important task.

*Review by
Chancellor's
desk.*

Q2 WHY MAKE THE CHANGE NOW?

A A lot of good work has already been done. For example, we are well on course for the 1984 Civil Service manpower target. But a lot more remains to be done both on the public expenditure and on the Civil Service efficiency fronts. I am convinced that the time has come to strengthen our arrangements for both these purposes.

Q3 HOW MUCH WILL THE REORGANISATION COST?

A The cost will depend on the precise arrangements, still to be worked out, for such matters as accommodation. But I do not expect the amount to be great, and we shall get it back many times over by the savings we shall achieve through better public expenditure control and increased efficiency.

Q4 HOW MUCH WILL THE RE-ORGANIZATION SAVE?

A There will be some staff savings as a result of the re-organization. For example, there will be the immediate savings of two Permanent Secretary posts I have referred to; and further savings at lower levels can be expected over the coming months. But the biggest savings will come from unified expenditure control and the strengthened drive on efficiency.

Q5 HOW CAN EFFICIENCY BE SEPARATED FROM THE CONTROL OF RESOURCES?

A The two are, of course, deeply intertwined. There will therefore be the closest liaison, at both Ministerial and official levels, between the Treasury and the ~~Office~~^{Office} of Management and Personnel. But I think it important that the organization should reflect the essential link between efficiency and the training, motivation and development of staff.

Q6 WHAT WILL BE THE ROLE OF SIR DEREK RAYNER?

A Sir Derek Rayner, who has made a splendid contribution, will continue to give me independent advice on efficiency and the elimination of waste in the public service.

Q7 WHO WILL THE UNIONS DEAL WITH ON THE MANAGEMENT OF THE CIVIL SERVICE?

A The unions will deal with the Treasury over manpower, pay, allowances and things of that kind. They will deal with the Office of Management and Personnel over personnel management, training etc., and questions of efficiency. No doubt there will be some matters on which it will be sensible for them to deal with both Departments jointly, and arrangements can be made for that as necessary.

SECRET

Q8 DOES THIS SIGNAL A CHANGE IN THE GOVERNMENT'S
APPROACH TO THE NEXT CIVIL SERVICE PAY SETTLEMENT?

A No. We have already made clear our policy on that
and we stand by it.

Q9 WILL SIR IAN BANCROFT/SIR JOHN HERBECQ NOW BE TAKING
UP JOBS IN THE PRIVATE SECTOR?

A I do not know what their plans are for their retire-
ment. But should they wish to take up positions in the
private sector, the normal rules about business appoint-
ments for former senior civil servants will, of course,
apply.

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3

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Draft of 28 October 1981

NOTE FOR THE LIBRARY

REORGANISATION OF THE CENTRAL DEPARTMENTS :
ALLOCATION OF FUNCTIONS

This note sets out what are to be the functions of the new Office of Management and Personnel and which functions are to be transferred to the Treasury from the Minister for the Civil Service, as indicated by the Prime Minister ~~in~~ in her statement ~~on~~ ¹² ~~14~~ November 1981~~3~~.

OFFICE OF MANAGEMENT AND PERSONNEL ^{MPO} (~~OMP~~)

- Ministers - The Rt Hon Margaret Thatcher MP*
Minister for the Civil Service
- assisted by ^{the Rt Hon Barbara Young} ~~the~~ ~~Chairman~~ ~~of~~ ~~the~~ ~~body~~ ~~of~~ ~~the~~ ~~House~~
- Permanent Secretary - Sir Robert Armstrong KCB CVO
- Second Permanent Secretary - Mr John Cassels CB

Functions

- (a) Management systems and organisation, including support for Sir Derek Rayner; cost-cutting studies; cost-consciousness; the scrutiny programme and Service-wide reviews of effectiveness and efficiency;
- (b) Personnel management, including senior Civil Service appointments; succession planning; central management of staff groups; classification; recruitment policy and training, including the Civil Service College;

* On ^{MPO} ~~OMP~~ business in the ^{House of} Commons, the Prime Minister will be assisted by ~~the~~ ~~Minister~~ ~~of~~ ~~State~~, ^{Mr Barry Hayhoe} ~~the~~ ~~Minister~~ ~~of~~ ~~State~~, Treasury~~3~~.

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Civil Service conduct and security; and acceptance of business appointments by former senior civil servants and others;

(c) the Public Appointments Unit, the Machinery of Government Division, the Civil Service Medical Adviser, the Ceremonial Branch and the Government Hospitality Fund.

The Civil Service Commission will be part of the Office of Management and Personnel, but the selection of individuals for posts in the Civil Service remains the independent responsibility of the Civil Service Commissioners.

The Chancellor of the Duchy of Lancaster will answer in the House of Lords on the whole range of Civil Service matters.

FUNCTIONS TO BE TRANSFERRED TO THE TREASURY

Responsibility for the following functions and organisations will be transferred from the Minister for the Civil Service to the Treasury:

- (a) control of Civil Service manpower numbers and associated administrative costs;
- (b) the pay, allowances, superannuation and related conditions of service of the Civil Service and the comparable functions of the Minister for the Civil Service in respect of the armed forces, the judiciary, certain public bodies and some others in the public sector;
- (c) the Central Computer and Telecommunications Agency; the Civil Service Catering Organisation; and the Chessington Computer Centre (which provides services for a number of departments).

The responsibilities of the Minister for the Civil Service in respect of HM Stationery Office, the Central Office of Information and the Government Actuary's Department will be transferred to the Chancellor of the Exchequer.

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Mr Barney Hayhoe, MP
X } will be appointed as an
additional Minister of State in the Treasury
to help in the discharge of these responsibilities.
He will answer in the ^{House of} Commons for the whole range of
Civil Service matters.

10 Downing Street
London SW1
November 1981

SECRET

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DRAFT of 28 October 1981

DRAFT MINUTE FROM THE PRIME MINISTER TO THE HOME SECRETARY

*Draft Speech N/A for use Prime Minister's Use ~~with~~ in
Cabinet on Thursday 12 Nov 1981.*

THE REORGANISATION OF THE CENTRAL DEPARTMENTS

*in a statement
in the House
this afternoon
that I have
decided*

1. ~~During my speech on the Address this after-~~
noon, I shall be announcing ~~my decision~~ to
reorganise the work of the central departments.

2. I believe we must unify our arrangements
for the central allocation and control of all
resources. So I am transferring my responsibilities
for Civil Service manpower, pay, pensions and
allowances to the Treasury.

3. Equally, however, we must maintain the
priority we have given to improving Civil Service
efficiency and I want to continue to be personally
associated with this work. So I shall remain
Minister for the Civil Service and retain my
responsibilities for the organisation, management
and overall efficiency of the Service and for policy
on recruitment, training and other personnel manage-
ment matters.

4. When the Order in Council required to transfer
the functions to the Treasury comes into effect,
there will no longer be a department known as the
Civil Service Department. I shall be assisted by a
new Office of Management and Personnel. This Office
will work closely with the Cabinet Office as well as
the Treasury. It will be headed by Sir Robert Armstrong,

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(who will continue as Secretary of the Cabinet and head of the Cabinet Office) with Mr John Cassels as Second Permanent Secretary. The rest of the CSD will become part of the Treasury.

5. The new Ministerial arrangements will be introduced on ~~1~~ Monday, ¹⁶/~~9~~ November~~7~~. The Chancellor of the Exchequer will deal with all Civil Service manpower, pay, pensions and related matters on my behalf between then and the day the Transfer of Functions Order comes into effect. He will be assisted by ~~[Benjamin Hyslop]~~, who will be an additional Minister of State in the Treasury. *Benjamin Hyslop will answer on the whole range of Civil Service questions in the Commons.*

6. On all the responsibilities I shall be retaining as Minister for the Civil Service ~~[the Chancellor of the Exchequer]~~ *[the Chancellor of the Exchequer]* will assist me, *and she will answer on all Civil Service matters in the House of Lords.*

7. Sir Ian Bancroft and Sir John Herbecq, both of whom were due to retire by the end of next year, will be retiring ~~at the end of this week~~ as a consequence of these changes. On Sir Ian's departure, Sir Robert Armstrong and Sir Douglas Wass will become Joint Heads of the Home Civil Service.

8. I enclose a copy of the statement I shall be making this afternoon. Sir Ian Bancroft is writing to the Permanent Heads of Departments to inform them of the changes.

9. Copies of this minute go to the other members of Cabinet, to the Paymaster General, the Law Officers and to Sir Robert Armstrong.

*P There will be a lot to be done to give effect to the new
new organisational structure. One ~~important~~ ² area where it will be
necessary to make change is in departments' administration. It will
be for the necessary transfer from the various staff or former
in the CSD will need to be **SECRET**
be broken as near as possible to the Treasury and the Cabinet Office. I
am sure colleagues will be helped in this.*



FILE
gov Hact RH
4
10 DOWNING STREET

From the Principal Private Secretary

JP 9 11 81
SIR IAN BANCROFT

Future of the Central Departments

The Prime Minister will not now be returning to this country from the Cancun Summit Meeting until Monday of next week; and the Opposition have today tabled a vote of no-confidence in the Government which will be debated on Wednesday, 28 October. Much of the Prime Minister's time between her return to London and the debate will of course be taken up with the preparation of her speech for the debate. She has decided in these circumstances that she will not be able to make the proposed statement on the future of the central departments next week and that it should therefore be postponed until the new session of Parliament. This means that we should think of making the announcement in the week beginning Monday, 9 November.

I am sending copies of this minute to John Kerr (HM Treasury), Jim Buckley (CSD), Sir Douglas Wass (HM Treasury), Sir Robert Armstrong (Cabinet Office) and Sir Derek Rayner.

G. A. WHITMORE

20 October, 1981

SECRET
SP



File AH

See
head

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

I showed you the Prime Minister's comment on your minute A05738 of 16 October 1981 about the talk you are due to give to the Women's National Commission.

She thinks that you should go back to Lady Young and explain that circumstances have changed since you were originally invited to address the meeting. I think that this means that if the talk is to go ahead, it will have to be without the press being present.

JAW.

19 October 1981

AH

Mr WHITMORE

cc for information

Sir Robert Armstrong

FUTURE OF THE CENTRAL DEPARTMENTS

1. To save time, I am sending you herewith my comments on Sir Ian Bancroft's draft of the Parliamentary statements in the shape of a copy minute to Sir Robert Armstrong.

2. I attach much importance to the point in paragraph 4 of the minute (namely, getting the act together) and am more than willing to make Mr Priestley available for this purpose if the Prime Minister wishes. He would of course need a clear mandate.


Derek Rayner

19 October 1981

Enc: Copy minute to Sir Robert Armstrong

Sir Robert Armstrong

cc for information

Mr Whitmore

FUTURE OF THE CENTRAL DEPARTMENTS

My comments on the draft statement to the House of Commons are as follows; I believe that you have already discussed it with Mr Cassels and Mr Priestley and that some of my points coincide with yours.

- (1) I assume that the statement will be repeated in the House of Lords - by the Chancellor of the Duchy of Lancaster?
- (2) It would be better if shorter.
- (3) I had thought that the Prime Minister was keeping her responsibilities as Minister for the Civil Service for both Supply Control and "management and personnel". If so, is she not delegating the former to the Chancellor of the Exchequer rather than transferring it to him (paragraph 3 and elsewhere)? (I understand that you have asked Mr Priestley to look into this.)
- (4) On the question of Ministerial assistance with OMP, I am very doubtful whether there would be enough work for a Minister to do to provide anything like a full-time job. I should prefer a Minister to be presented as in reserve, so to speak, and I suggest that paragraph 6 should end:

" I shall be assisted in the day-to-day discharge of these responsibilities by "
- (5) I must confess that I am a bit dubious about "Joint Heads of the Civil Service", but do not know exactly how far you and Sir Douglas Wass

have got on this subject. I think it very important that the Prime Minister should be able to look to a single source of advice on some issues, eg machinery of government, business appointments. On the other hand, "Joint Headship" should assist the Cabinet Office-Treasury relationship.

- (6) The references to Sir Ian Bancroft and Sir John Herbecq will need expanding. I suggest something like this:

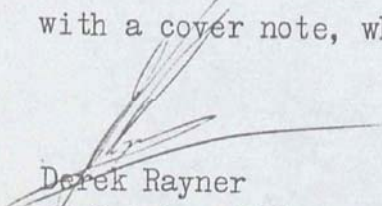
" I am grateful to these officers for the many years of distinguished service they have given to the nation. I am sure that hon and rt hon Members will join in thanking and in wishing them well for the future."

2. I have some relatively minor points on the Notes for Supplementary Questions and the Allocation of Functions. I am giving these to Mr Priestley.

3. Sir Ian Bancroft's minute to the Prime Minister of last Friday causes me some anxiety. There has been ample time to consult Sir Douglas Wass, you and me about both the draft statement and the other drafts, still to come, including the letter to Mr Edward du Cann. I hope that it will be clearly understood that we are to be consulted about these drafts well before the eleventh hour. My main worry now is whether the run-up to the announcement and the preparations for the first day and beyond are well enough in hand. I should be much happier if someone in my office, as one of the Prime Minister's staff, was now given the job of pulling things together.

4. Given the shortage of time, I am copying this to Mr Whitmore, with a cover note, which is copied herewith to you.

Enc: Minute to Mr Whitmore


Derek Rayner
19 October 1981

PRIME MINISTER

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Govt. Mach. est. file
future of

Meeting with the Chancellor tomorrow, 20 October

You are seeing the Chancellor twice tomorrow. First, at 9 o'clock, is purely to cover the public expenditure discussions in Cabinet later on. At the 4 o'clock meeting I understand that the Chancellor will wish again briefly to consider how best to handle subsequent discussions on public expenditure in the light of progress at tomorrow's Cabinet. He will also want to make some general points about Cancun. (He was unable to get to today's briefing meeting because of his meeting in Luxembourg.) He is also rather worried about the effect on markets of leaks of the public expenditure discussions and I would expect him to raise this with you. The future of the CSD, in particular the question of who would be the Minister in charge of the enlarged Treasury team, is also on his agenda.

MLs

19 October 1981

SECRET

PRIME MINISTER

The Central Departments

I enclose in the folder below a number of papers about the abolition of the CSD:-

a. You said that you wished to study in detail this weekend the report on the reallocation of the CSD's functions to the Treasury and to the Cabinet Office which was prepared by Permanent Secretaries during your absence in Australia.

When you looked at these papers briefly last weekend you said that you could not make an announcement about the changes in organisation on Tuesday 20 October. I am afraid that there was a typing error in Mr. Rickett's minute, which mentioned the date of Tuesday 17 October: this date should have been Tuesday 27 October (not Tuesday 20 October as you understandably assumed). My own view is that Thursday 29 October would be even better than Tuesday 27 October for your statement. Though this would inevitably increase the risk of a leak, it would give you the opportunity of informing Cabinet as a whole at their meeting on that day of your decisions.

b. Sir Ian Bancroft has submitted today the first draft of your statement. His minute also deals with the timetable leading up to the announcement, and this is all posited on the assumption that you will make your statement on 27 October.

c. Sir Robert Armstrong has also minuted you today on various points about the reorganisation of the Central Departments. He too takes up the question of the date of your statement and supports the idea that Thursday 29 October might be the best day. He also suggests that you might now wish to take the Home Secretary into your confidence. If you are ready to do this - and I agree that the time is right -, would you like a word with him after the 1030 meeting this coming Monday?

AW.

16 October 1981

SECRET

*Top Copy
Required.*

Ref. A05739

PRIME MINISTER

Reorganisation of the Central Departments

You have plenty to read on this subject, and I will, therefore, be brief.

2. I believe - and Douglas Wass agrees - that Ian Bancroft will not try to "go public". He has accepted the decision, and agreed the proposals for putting it into effect; we do not believe he will seek to lobby against it.

3. By the same token I believe that it would now be pretty difficult to reverse engines. In terms of the psychology of the individuals concerned, I doubt whether we could go back to where we were, as if nothing had happened.

4. Both Derek Rayner and I have said that our preferred course would be to transfer the CSD entire into the Treasury. I have come to believe that what is now proposed is a good deal better than a "pis aller". In Melbourne I had two long talks with my Canadian counterpart, and was struck by the fact that the organisation which we are proposing to have is very like the organisation which the Canadians have, and which has clearly proved its value in terms of effectiveness at the centre. The creation of the CSD divorced the management of manpower and personnel both from the management of resources and from the management and co-ordination of policy-making. What we are now proposing to do would sensibly brigade the management of manpower and pay with the management of resources and the management of people and organisation with management of policy-making.

5. I understand that Sir Ian Bancroft is submitting a draft statement today. That has not been discussed with the rest of us, (Derek Rayner, Douglas Wass and me), and we may well want to suggest changes.

6. On the date of announcement, we had envisaged 27 October because we thought that you might not be able to make a statement on 29 October because of prorogation or because of your visit to Bonn. The visit to Bonn is now postponed. If the arrangements for prorogation allow you to make a statement on 29 October, that would be a very convenient day; it would enable you to tell the

MANAGEMENT IN CONFIDENCE
PERSONAL

Cabinet in the morning, and Ian Bancroft to tell fellow Permanent Secretaries at his regular weekly meeting with them on 28 October, and would also give time for the other preliminary things that need to be done (including telling the unions).

7. Finally, I wonder whether the time has come when it might be useful for you to take the Home Secretary into your confidence about what you have in mind. It would certainly be useful to make sure that he is "on side" before you tell the Cabinet as a whole.

REA

ROBERT ARMSTRONG

16 October 1981

8

SECRET

SECRET AND PERSONAL

PERSONAL

28

Prime Minister.

There are likely to be comments on this draft from others in the course of Monday, but you may find it helpful to consider the broad shape over the week-end: it needs your approval before you go to Mexico. This draft may seem excessively gentle to CSD.

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

...

I attach a draft Parliamentary statement and notes for supplementaries on the reallocation of the CSD's functions. The drafts adopt the scheme of reallocation proposed in the attachment to my minute of 9 October. *may need spelling out earlier than para 7.*

Simultaneously with the announcement on Tuesday, 27 October, we shall need to circulate a notice to all the staff affected by the changes to explain the new arrangements and to tell them what is to happen to them personally. This is essential to get the new arrangements working effectively from the start. The notice must be printed in secure conditions and will need to be with the FCO press on the morning of Friday, 23 October. It will be based on the essential points of your Parliamentary statement, though without naming the new Ministers. I should be grateful to know your decision on the attached drafts of your statement before you leave for the Cancun Conference on Wednesday, 21 October. We can then put the notice to bed on Friday, 23 October and can carry forward the final preparations for your return. The decisions on substance will not of course rule out amendments to the drafting of the Parliamentary statement nearer the day.

MAD 16/X.

We have been at pains to conduct this whole exercise on a highly confidential and restricted basis in order to avoid news of your decision becoming public prematurely. Unavoidably, the preparations for your announcement will involve progressively more people and activity; so the sooner the announcement, the better. This is why we remain convinced that Tuesday, 27 October is the best day to break the news.

Because of the timetable, I am putting these drafts to you now without having had time to clear them first with the Chancellor of the Exchequer, the Chancellor of the Duchy or Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass. I am sending copies of this minute and enclosures to them.

IBB

IAN BANCROFT
16 October 1981

SECRET AND PERSONAL

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PERSONAL

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

1. With permission, Mr Speaker, I will make a statement.
2. I have decided to strengthen the arrangements for controlling the cost and size of the Civil Service and for improving its efficiency. This will entail a reallocation of work between the central departments.
3. The effective control of public expenditure is vital to our economic strategy. But for the last 13 years, control over expenditure on the Government's own activities has been divided between the Treasury and the Civil Service Department. The time has now come to reunify responsibility for the central allocation and control of all resources. I have decided, therefore, to transfer to the Chancellor of the Exchequer control over Civil Service manpower, pay, superannuation, allowances, and the Central Computer and Telecommunications Agency. [] will be appointed as an additional Minister of State in the Treasury to help in the discharge of these responsibilities. He will answer in this House for the whole range of Civil Service matters.
4. This Government has already done much to improve the efficiency and effectiveness of the Civil Service. I am sure that all hon Members would join with me in saying that the talent and the potential is already there in the Civil Service. But much more remains to be done and I look forward to reading the report of the Select Committee on the Treasury and Civil Service, whose Sub-Committee is currently studying this subject.
5. I do not believe that the best way to achieve our objectives is by transferring responsibility for all Civil Service matters to the Treasury. That is why, at the turn of

SECRET

the year, I agreed with the Select Committee that there should not be a total merger of the Treasury and the Civil Service Department. The selection, development and motivation of the Civil Service and the way that it is managed are all vital to the improvements in efficiency which we - and the staff themselves - want to see. So they must get as much attention and priority as the control of public expenditure and we need to arrange the machinery of government to reflect this.

6. I have concluded, therefore, that while resource allocation and control should be unified in the Treasury, I should continue to be Minister for the Civil Service and retain responsibility for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training, grading structures and other personnel management matters, all of which have their part to play in creating and maintaining the kind of Civil Service the country needs. I shall be assisted by [] who will have day-to-day charge of these responsibilities.

7. There will no longer be a department known as the Civil Service Department. The staff who assist me will constitute the Office of Management and Personnel. The Permanent Secretary of this new Office will be Sir Robert Armstrong who will also continue, as Secretary of the Cabinet, to head the Cabinet Office. He will be assisted on the business of the new Office by Mr John Cassels, Second Permanent Secretary. Sir Robert Armstrong and Sir Douglas Wass will become Joint Heads of the Home Civil Service.

8. An Order in Council will be necessary to transfer the responsibilities for Civil Service manpower, pay and so on to the Treasury. The Order will be laid before Parliament shortly. In preparation for its taking effect, the new arrangements will be introduced administratively from [2 November] and the new Office of Management and Personnel

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will begin to function on that date.

9. The new arrangements will immediately save two Permanent Secretary posts. Accordingly, Sir Ian Bancroft, Head of the Home Civil Service and Permanent Secretary to the Civil Service Department, and Sir John Herbecq, the Second Permanent Secretary, will be retiring as soon as the re-organisation takes place.

10. Copies of a note setting out the distribution of functions between the Treasury and the Office of Management and Personnel have been placed in the Library.

October 1981

NOTES FOR SUPPLEMENTARIES

Q1 WHY NOT JUST MERGE CSD AND THE TREASURY?

A Because I believe that our drive for improved efficiency and better management in the Civil Service could not be given the time and attention it requires if the CSD were simply merged en bloc with the Treasury. One of our objectives is to strengthen the control of public expenditure and that can best be done by unifying all central responsibility for resource allocation and control under the Chancellor of the Exchequer. But we also need an organization whose prime aim is to improve the management and efficiency of the Civil Service. I believe it is right that I should continue to put my own authority and personal attention behind this important task.

Q2 WHY MAKE THE CHANGE NOW?

A A lot of good work has already been done. For example, we are well on course for the 1984 Civil Service manpower target. But a lot more remains to be done both on the public expenditure and on the Civil Service efficiency fronts. I am convinced that the time has come to strengthen our arrangements for both these purposes.

Q3 HOW MUCH WILL THE RE-ORGANIZATION COST?

A The cost will depend on the precise arrangements, still to be worked out, for such matters as accommodation. But I do not expect the amount to be great, and we shall get it back many times over by the savings we shall achieve through better public expenditure control and increased efficiency.

Q4 HOW MUCH WILL THE RE-ORGANIZATION SAVE?

A There will be some staff savings as a result of the re-organization. For example, there will be the immediate savings of two Permanent Secretary posts I have referred to; and further savings at lower levels can be expected over the coming months. But the biggest savings will come from unified expenditure control and the strengthened drive on efficiency.

Q5 HOW CAN EFFICIENCY BE SEPARATED FROM THE CONTROL OF RESOURCES?

A The two are, of course, deeply intertwined. There will therefore be the closest liaison, at both Ministerial and official levels, between the Treasury and the Office of Management and Personnel. But I think it important that the organization should reflect the essential link between efficiency and the training, motivation and development of staff.

Q6 WHAT WILL BE THE ROLE OF SIR DEREK RAYNER?

A Sir Derek Rayner, who has made a splendid contribution, will continue to give me independent advice on efficiency and the elimination of waste in the public service.

Q7 WHO WILL THE UNIONS DEAL WITH ON THE MANAGEMENT OF THE CIVIL SERVICE?

A The unions will deal with the Treasury over manpower, pay, allowances and things of that kind. They will deal with the Office of Management and Personnel over personnel management, training etc., and questions of efficiency. No doubt there will be some matters on which it will be sensible for them to deal with both Departments jointly, and arrangements can be made for that as necessary.

Q8 DOES THIS SIGNAL A CHANGE IN THE GOVERNMENT'S APPROACH TO THE NEXT CIVIL SERVICE PAY SETTLEMENT?

A No. We have already made clear our policy on that and we stand by it.

Q9 WILL SIR IAN BANCROFT/SIR JOHN HERBECQ NOW BE TAKING UP JOBS IN THE PRIVATE SECTOR?

A I do not know what their plans are for their retirement. But should they wish to take up positions in the private sector, the normal rules about business appointments for former senior civil servants will, of course, apply.

REORGANIZATION OF THE CENTRAL DEPARTMENTS : ALLOCATION
OF FUNCTIONS

This note sets out the functions of the Office of Management and Personnel and the functions to be transferred to the Treasury from the Minister for the Civil Service, as indicated by the Prime Minister in her statement on [27 October 1981].

OFFICE OF MANAGEMENT AND PERSONNEL (OMP)

Ministers - The Rt Hon Margaret Thatcher MP*
Minister for the Civil Service
- Assisted by []

Permanent Secretary - Sir Robert Armstrong KCB CVO

Second Permanent Secretary - Mr John Cassels CB

Functions

(a) Management systems and organisation, including support for Sir Derek Rayner's unit; cost-cutting studies; cost-consciousness; the scrutiny programme and Service-wide reviews of effectiveness and efficiency;

(b) Personnel Management, including senior Civil Service appointments; succession planning; central management of staff groups; grading structure, recruitment policy and training; Civil Service conduct and security; acceptance of business appointments by former senior civil servants and others; and the Ceremonial branch;

* on OMP business in the Commons, the Prime Minister will be assisted by [Minister of State, Treasury].

(c) the Public Appointments Unit and the Machinery of Government Division, the Civil Service Medical Adviser and the Government Hospitality Fund.

The Civil Service Commission will be part of the Office of Management and Personnel, but the selection of individuals for posts in the Civil Service remains the independent responsibility of the Civil Service Commissioners.

FUNCTIONS TO BE TRANSFERRED TO THE TREASURY

Responsibility for the following functions and organizations will be transferred from the Minister for the Civil Service to the Treasury:

- (a) control of Civil Service manpower numbers and associated administrative costs;
- (b) the pay, allowances, superannuation, and pay-related conditions of service of the Civil Service and the comparable functions of the Minister for the Civil Service in respect of the armed forces, the judiciary, certain public bodies and some others in the public sector;
- (c) the Central Computer and Telecommunications Agency; the Civil Service Catering Organization; and the Chessington Computer Centre;
- (d) the Minister's responsibilities in respect of HM Stationery Office, the Central Office of Information and the Government Actuary's Department.

An additional Minister of State [] will be appointed in the Treasury.

10 Downing Street
London SW1
October 1981

Ref. A05739

PRIME MINISTER

Reorganisation of the Central Departments

You have plenty to read on this subject, and I will, therefore, be brief.

2. I believe - and Douglas Wass agrees - that Ian Bancroft will not try to "go public". He has accepted the decision, and agreed the proposals for putting it into effect: we do not believe he will seek to lobby against it.

3. By the same token I believe that it would now be pretty difficult to reverse engines. In terms of the psychology of the individuals concerned, I doubt whether we could go back to where we were, as if nothing had happened.

4. Both Derek Rayner and I have said that our preferred course would be to transfer the CSD entire into the Treasury. I have come to believe that what is now proposed is a good deal better than a "pis aller". In Melbourne I had two long talks with my Canadian counterpart, and was struck by the fact that the organisation which we are proposing to have is very like the organisation which the Canadians have, and which has clearly proved its value in terms of effectiveness at the centre. The creation of the CSD divorced the management of manpower and personnel both from the management of resources and from the management and co-ordination of policy-making. What we are now proposing to do would sensibly brigade the management of manpower and pay with the management of resources and the management of people and organisation with management of policy-making.

5. I understand that Sir Ian Bancroft is submitting a draft statement today. That has not been discussed with the rest of us, (Derek Rayner, Douglas Wass and me), and we may well want to suggest changes.

6. On the date of announcement, we had envisaged 27 October because we thought that you might not be able to make a statement on 29 October because of prorogation or because of your visit to Bonn. The visit to Bonn is now postponed. If the arrangements for prorogation allow you to make a statement on 29 October, that would be a very convenient day: it would enable you to tell the

MANAGEMENT IN CONFIDENCE
PERSONAL

Cabinet in the morning, and Ian Bancroft to tell fellow Permanent Secretaries at his regular weekly meeting with them on 28 October, and would also give time for the other preliminary things that need to be done (including telling the unions).

7. Finally, I wonder whether the time has come when it might be useful for you to take the Home Secretary into your confidence about what you have in mind. It would certainly be useful to make sure that he is "on side" before you tell the Cabinet as a whole.



ROBERT ARMSTRONG

16 October 1981

010

Personally I think you have been bounced. I should go straight back to Lady Young

Prime Minister content that Robert Armstrong should go ahead with the press present?

Ref. A05738

MR WHITMORE

what an name will be we full to the that the nature of the meeting go - were invited to address her changed. not

Some months ago Lady Young, writing in her capacity as one of the

Chairmen of the Women's National Commission (WNC), invited me to give a short talk to WNC members on the machinery of Government in this country.

2. I understand that it is the custom at WNC plenary meetings to devote the afternoon session to a talk, followed by questions and answers and general discussion. I thought that I should accept this invitation, particularly as the WNC Secretariat is on the strength of the Cabinet Office; and the talk is due to take place on Thursday 5 November.

3. I am afraid that it never occurred to me that it was other than a private occasion; but I am now told that representatives of some women's organisations outside the WNC are being invited to hear the talk, and I am being asked whether I should have any objection to their following their normal custom of inviting the Press to their afternoon sessions. In other circumstances what I would say on this subject would be completely anodyne, and for myself I should not particularly mind the Press being there. If, however, by that time, the Prime Minister has announced proposals for the reorganisation of the central Departments, I shall not be able to avoid saying something about that, and there may be considerable interest in and some publicity for the event.

4. The simplest course would no doubt be to say that I should prefer that the Press were not invited on this occasion. But that might in itself attract unfavourable comment; and I wonder whether there might not be some advantage in letting the occasion go ahead: it would provide an unforced opportunity for me to make it clear that, while it is, of course, the Prime Minister's decision, I support it and believe that the changes proposed are not only workable but a positive contribution to greater effectiveness at the centre of Government.

5. Do you think the Prime Minister would agree that I should not ask the WNC to change their normal arrangements, and ^{should} seek to make positive use of the opportunity in this way?

RA

ROBERT ARMSTRONG

16 October 1981

SECRET



10 DOWNING STREET

File
ccs Tsy
CSD
Perm: Sec Tsy
CO Sir R Armstrong
CO Sir D Rayner
Govt 3
Mack

From the Principal Private Secretary

BF

SIR IAN BANCROFT

FUTURE OF THE CENTRAL DEPARTMENTS

The Prime Minister saw on her return from Australia the report on the reallocation of the CSD's functions to the Treasury and to the Cabinet Office which you submitted with your minute of 9 October but did not have time to study it in any detail before her departure yesterday for Blackpool. She proposes therefore to return to the matter at the end of the week.

In the meantime she would be grateful if you could ensure that the work which is already in hand is pressed forward. You should continue to assume, at least for the time being, that the Prime Minister will announce the changes on Tuesday 27 October, as proposed in paragraph seventeen of the report.

I am sending copies of this minute to Mr Kerr (Treasury), Mr Buckley (CSD), Sir Douglas Wass, Sir Robert Armstrong, and Sir Derek Rayner.

JW.

13 October 1981

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2A

PRIME MINISTER

Central Departments

I attach at:

- A The submission agreed between Sir Ian Bancroft and Sir Douglas Wass, and Sir Robert Armstrong and Sir Derek Rayner, on the re-organisation of the central departments. This sets out how they see the functions of central departments being reallocated and at paragraphs 17-19 it recommends that the changes should be announced on Tuesday 17 October. The necessary Order in Council would be laid on 4 or 5 November and would come into effect about 2½ weeks later (e.g. on Monday 23 November). Paragraphs 21 and 22 set out the further work that will be necessary.
- B Sir Ian Bancroft's personal views on the proposals.
- C Sir Ian Bancroft's recommendations on the reallocation of Permanent Secretary posts in the central departments.

You will no doubt wish to discuss this with Clive Whitmore and Sir Robert Armstrong when you have had time to read these proposals, but are you content for work on the lines set out in the agreed submission to proceed? All these papers stress the point that if we are to take decisions on this subject they should be taken quickly.

WFSR

I believe you already have Sir Robert Armstrong's note on ministerial arrangements, but I attach a copy at B just in case.

I shall have to consider this in detail next week. O to 20 is in out of the question for an announcement. Lady has some views which could be on a white not

20 27?

9 October 1981

SECRET

SECRET AND PERSONAL

PRIME MINISTER

Reorganisation of the Centre: Ministerial Arrangements

In Sir Ian Bancroft's submission about the reorganisation of the centre he said that I would provide a separate note on the Ministerial arrangements

2. At present the Treasury has 5 Ministers: two members of the Cabinet (the Chancellor of the Exchequer and the Chief Secretary) and three Ministers of State or equivalent (Mr. Ridley, Mr. Bruce-Gardyne and Lord Cockfield).

3. The Civil Service Department has two Ministers: the Chancellor of the Duchy of Lancaster (who is also Leader of the House of Lords) and a Minister of State (Mr. Hayhoe).

4. You yourself, as both First Lord of the Treasury and Minister for the Civil Service, are the overlord for both Departments.

5. I believe that Lord Soames's absence in Rhodesia shows that there is really not enough work for more than one Minister in the CSD.

6. You have already indicated to the Chancellor of the Exchequer that, if the Treasury takes over the CSD work proposed, you will provide the Treasury with an additional Minister of State.

7. In respect of the work which comes to the Cabinet Office, you will presumably want to retain a close measure of responsibility yourself, particularly for the Rayner unit and the efficiency work related to it. But I think that you may find it useful to have some Ministerial support in supervising the CSD business which comes to the Cabinet Office, and to have a Minister who can answer Parliamentary Questions about day to day matters on questions which will now come within the new responsibilities of the Cabinet Office.


8. If there is to be an additional Minister of State in the Treasury, that will have to be offset by a reduction somewhere else, as we are up against the statutory limit of numbers of Ministers of State. Unless a reduction can be found in some other Department, the post now occupied by Mr. Hayhoe will have to disappear. I think that you then have three options:-

SECRET AND PERSONAL

- (a) To transfer Mr. Hayhoe to the Treasury - which would have the merit of continuity and of not wasting the goodwill which he has built up with the unions.
- (b) To transfer to the Treasury from some other Department a Minister of State whose place Mr. Hayhoe could take.
- (c) To drop Mr. Hayhoe and thus give yourself a free hand in finding a new Minister of State for the Treasury.

If the new Treasury post is to go to someone else than Mr. Hayhoe, it would be as well if the person chosen was someone who already had experience of Government. You will no doubt want to discuss this with the Chancellor of the Exchequer.

9. I suggest that the two functions for which you may need support - the day to day supervision of business, and answering Parliamentary Questions - could in that event be best fulfilled by:-

- (a)  inviting Lady Young to support you in supervising the CSD business which now comes to the Cabinet Office and to answer Questions in the House of Lords;
- (b) inviting whichever Minister of State in the Treasury assists the Chief Secretary on manpower and pay to answer day to day Questions on your behalf in the House of Commons on CSD business which comes to the Cabinet Office.

Robert Armstrong

9th October 1981

PRIME MINISTER

RE-ORGANIZATION OF THE CENTRE : PERMANENT SECRETARY
ARRANGEMENTS

In the submission attached to my minute of today's date about the re-organization of the centre I said I would be submitting separately a note on the Permanent Secretary arrangements.

Sir Robert Armstrong thinks that, initially at any rate, he will not need an additional Second Permanent Secretary post in the Cabinet Office provided that Mr Cassels is available to take charge of the Office of Management and Personnel in addition to his duties with Sir Derek Rayner. Sir Derek has no reservations about the feasibility of this, and is content. Sir Douglas Wass similarly believes that the Treasury can manage to take on the new work transferred to it without an additional Second Permanent Secretary post.

Accordingly both Sir John Herbecq and I will retire early as soon as the re-organization comes into effect. This fact will need to be included in the announcement of the re-organization in order to forestall speculation.

As to the title and duties of Head of the Home Civil Service, I recommend that Sir Robert Armstrong and Sir Douglas Wass should become Joint Heads of the Home Civil Service, and share the duties between them.

I am sending copies of this minute to Sir Robert Armstrong and to Sir Douglas Wass.

IAN

IAN BANCROFT
9 October 1981

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16

PRIME MINISTER

THE RE-ORGANIZATION OF THE CENTRAL DEPARTMENTS

As instructed, I am sending you separately a note on this, composed and agreed with Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

I ought, however, to reaffirm in writing my own views: I expressed these to you orally when we met on 24th September. I will be brief.

I believe that the re-organization will make the Service a less efficient instrument to serve the Government of the day. It splits up a number of closely inter-related functions and is fundamentally unstable. It is to my mind a worse outcome than the original proposal of a complete merger between the Treasury and the CSD. I am very sad to say so, but I believe that it will be ill-received within the Service. To many, it will be seen as further evidence of the low esteem with which this Administration regards its employees.

Having said that, the sooner it happens the better. I am sure that my colleagues will try their hardest to make it work.

You have made your decision, and I will now hold my peace.

MB

IAN BANCROFT
9 October 1981

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IA

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

... As requested in Mr Whitmore's minute of 24 September
I attach a report on the re-allocation of CSD's
functions to the Treasury and to the Cabinet Office.

I have prepared the report in collaboration with Sir
Douglas Wass, Sir Robert Armstrong and Sir Derek
Rayner. It is an agreed report.

I am sending copies of this minute to the Chancellor
of the Exchequer, the Chancellor of the Duchy of
Lancaster, Sir Douglas Wass, Sir Robert Armstrong, and
Sir Derek Rayner.

JAB

IAN BANCROFT
9 October 1981

SECRET

THE RE-ORGANISATION OF THE CENTRAL DEPARTMENTS

1. Mr Whitmore's minute of 24 September recorded the Prime Minister's decision in principle to abolish the CSD and:

- a. transfer its responsibilities for manpower and pay to the Treasury;
- b. transfer its functions in the field of efficiency to the Cabinet Office; and
- c. redistribute its other functions

We were asked to suggest how this reallocation might be arranged in detail.

The Framework of Proposals

2. CSD's functions divide broadly into:

- a. Control of Civil Service pay; superannuation; other conditions of service; manpower numbers and associated administrative costs (including supply control of PSA, HMSO and COI); computer policy and project approval.
- b. Development and appraisal of organisation and management, partly in support of supply control and partly in search of improved efficiency and effectiveness (eg through the scrutiny programme, service-wide reviews, and the annual scrutiny of departmental running costs).
- c. Management of people: succession planning and senior appointments, central management of certain staff groups, policy for the management of other staff and central policy for recruitment and training.
- d. Provision of central services: recruitment (Civil Service Commission), training (CS College), procurement of and developments in administrative computers (CCTA), catering (CS Catering Organisation) and central payrolling (Chessington Computer Centre).

e. Support to all the above: Departmental establishments and personnel work.

3. The redistribution of some of these functions follows clearly from Mr Whitmore's minute of 24 September (see paragraph 1(a) and (b) above). Accordingly:

a. CSD's responsibilities for manpower, pay, superannuation and other conditions of service and for supply control of PSA, HMSO and COI would be transferred to the Treasury, thus unifying the central control and allocation of all resources.

b. The Central Computer and Telecommunications Agency would be transferred to the Treasury on the same principle.

c. The seven CSD staff in the Functions and Programmes command (FP1), who support the scrutiny programme and service-wide reviews with which Sir Derek Rayner is associated, would be transferred to the Cabinet Office.

d. The CSD staff in the Personnel Management command who deal with the selection, development and motivation of people would be transferred to the Cabinet Office.

e. Security; acceptance of business appointments by former senior civil servants and others; and civil service conduct would be transferred to the Cabinet Office, but retirement policy would go to the Treasury.

f. The Public Appointments Unit, the Machinery of Government Division and the Ceremonial Branch would be transferred to the Cabinet Office.

4. This leaves for decision the following main areas of CSD's work:

a. "Good housekeeping" - including cost-cutting studies, work measurement, reviews of functions eg messengerial and typing services, transport economy (part of Functions and Programmes Division 2).

- b. Staff Inspection and Evaluation Division - a vital arm of Manpower control, but increasingly deployed in support of scrutinies, functional reviews etc.
- c. Accountancy, Finance and Audit (5 Treasury staff out-posted in CSD) - including staff work on the Annual Scrutiny of Departmental Running Costs, key ratios and indicators.
- d. Management Development - including general organisation and methods, management reviews, O&M aspects of computerisation.
- e. Operational Research - including support services for Manpower and Pay and for other departments.

The redistribution of these areas of work turns, in each case, largely on a judgement on how best to promote the centre's work on efficiency.

Efficiency

5. At present, some aspects of the drive for greater efficiency are being dealt with in the Treasury (eg financial control systems); on other aspects, CSD is in the lead (eg departmental running costs and management information systems); while yet other aspects are being dealt with jointly (eg internal audit). And CSD's personnel management work is also clearly relevant to the improvement of efficiency. A third force - Sir Derek Rayner's office - pioneers new ideas, proposes fresh initiatives and tackles specific projects, calling on CSD's resources for support if necessary. All of this work is mutually supportive and inter-active.

6. On one view, it is mistaken conceptually to regard work on efficiency and on personnel management as being separate from resource control. But brigading all these functions together would entail the transfer of CSD's functions en bloc to the Treasury. This was considered and rejected at the turn of the year and we do not consider it further in this report.

7. The way forward, we suggest, is to redistribute CSD's functions by reference to the following objectives:

- a. consolidation in the Treasury of control over resources of all kinds;
- b. providing the Treasury with the specialist staff (eg staff inspectors) needed for effective control of manpower and administrative costs;
- c. bringing together in the Cabinet Office the arrangements for selecting, developing and motivating people; and
- d. providing in the Cabinet Office a comparatively small, high quality staff to assist the Government in its general policies for the greater efficiency and effectiveness of administration by running the scrutiny programme, service-wide reviews and comparable management audit and by assisting departments with development work complementary to management audit.

These four objectives are inter-dependent but the third and fourth of them are substantial and important in their own right; they are concerned with much more than a set of control mechanisms.

8. This analysis leads us to suggest how the functions listed in paragraph 4 should be distributed:

- a. the "Good housekeeping" work of Functions and Programmes Division 2 would go to the Cabinet Office in support of scrutiny and similar work (minus work measurement, which is integral to manpower control, and should go, therefore, to the Treasury);
- b. Management development would also go to the Cabinet Office because it is closely associated with the scrutiny programme and other management exercises. But a few staff would be out-posted to the Treasury in support of its manpower control work.
- c. Staff Inspection, Operational Research and the CSD unit of Accountancy, Finance and Audit would go to the Treasury, but staff from them would be out-posted to the Cabinet Office, as necessary, in support of its management audit and scrutiny work.

Annex A sets out in full the proposed allocation of functions.

Staff Savings

9. Under these proposals, there would be an immediate saving of two top posts - those of the Permanent Secretary and Second Permanent Secretary, CSD. Last October's report of the study team on the merger of the Treasury and CSD made clear that integration would produce some staff savings, particularly in supporting services. We believe that similar savings can be expected under our proposals. Detailed work will be needed after the changes are made to pin-point the posts which can be saved.

Comments on the Proposals

10. While we believe that this reallocation best gives effect to the objectives set out in paragraph 7, we must draw attention to the following points:

a. Because the centre would be divided, it would be necessary for Ministers in charge of spending departments and the trades unions to deal with both the Treasury and the Cabinet Office on most efficiency and personnel management initiatives because of their implications for manpower and pay, and vice versa. There would no longer be one department responsible for the overall management of the Civil Service.

b. Supply control, the development of better financial and manpower control systems, internal audit, management information systems, work measurement, cost-consciousness and the internal organisation of departments are all deeply inter-twined. To separate them, as our proposals do, is to perpetuate a divided central capacity for strengthening the control of public expenditure and improving the operational efficiency of departments.

c. Unless the CSD functions transferred to the Cabinet Office were in some way kept separate from the rest of the Cabinet Office's work, there would be the risk of changing the nature of the Cabinet Office and of it becoming subject to the same degree of Parliamentary scrutiny and investigation by the Parliamentary Commissioner as the Treasury and CSD are at present.

11. With this last point particularly in mind, we recommend the establishment of a separately identifiable unit - the "Office of Management and Personnel" - to deal with the CSD functions transferred to the Cabinet Office. It would be headed by the Secretary of the Cabinet; and a Minister could be designated to be in day-to-day charge of it on the Prime Minister's behalf. These arrangements would not disturb the direct link between Sir Derek Rayner's office and the Prime Minister.

The Allocation of Responsibility for the Commission, the College etc

12. At present, the Civil Service Commission, the Civil Service College, the CS Catering Organisation (CISCO), the CS Medical Adviser and the Chessington Computer Centre are part of CSD but create very little work for Ministers, and operate with considerable day to day independence. We recommend that:

- the Commission
- the College
- the Medical Adviser

should become part of the Cabinet Office on the same basis. We further recommend that:

- CISCO and
- Chessington

should come under Treasury Ministers*.

13. We also recommend that the responsibilities of CSD Ministers for HMSO and COI should be transferred to Treasury Ministers.* They would also become responsible for the Government Actuary's Department, which is closely associated with Superannuation.

14. Responsibility for the Government Hospitality Fund should, we suggest, go to the Cabinet Office but without prejudice to consideration of the case for its subsequent transfer to the FCO (its main user). Parliamentary Counsel's Office, now a sub-department of CSD, would also come under the Cabinet Office.

*The possibility of setting up, at a later stage, a Common Services Agency embracing PSA and some or all of these activities is not affected by these proposals.

The Ministerial Arrangements

15. At present, the Treasury and CSD together have seven Ministers. Three of them have Cabinet rank and four are Ministers of State. Sir Robert Armstrong will provide a separate note on the Ministerial arrangements.

Permanent Secretary Arrangements

16. A separate note on the duties of the Head of the Home Civil Service and the arrangements at Permanent Secretary level will also be provided.

Timing of the Announcement

17. We recommend that these changes should be announced as soon as possible and by means of an oral statement in Parliament. Announcement in the week beginning 19 October, when the Commons "spill-over" starts, may not be possible because CSD is First Order for Questions on 21 October and the Prime Minister departs for the Cancun Conference that day, returning on the week-end of 24/25 October. Prorogation is expected on 29 or 30 October and we suggest, therefore, that Tuesday 27 October would be the best day to make the announcement. Leaving it until 5 November, the second day of the new Session, would increase the risk of leaks and damaging speculation based on them.

18. When the announcement is made it will be essential to be able to tell as many as possible of the staff of the CSD in which department they will in future be serving. This need cause no delay in making the announcement: we have been able to do enough work in the last fortnight to settle the destination of all but a very few staff (they are mainly in the CSD's Basingstoke Finance and Personnel Services Division). It would, however, be advantageous if a few days were allowed for the staff to be told where they are going.

19. We recommend that as soon as this has been done, the re-organisation should come into effect administratively. Delay would leave the CSD, at Ministerial and official level, broken-backed for far too long in its dealings with other departments, the trades unions, and others. For some time after the re-organisation there will inevitably need to be some marginal adjustments in the distribution of functions and staff between the two departments. It

will also take some time to sort out the accommodation for the re-organised Centre. We do not see any point in delaying the effective date of the re-organisation in an attempt to settle everything before the change occurs.

Legislation

20. While the re-organisation could take effect administratively without delay, the formal transfer of powers would require an Order in Council. The Order would vest in the Treasury the functions of the Minister for the Civil Service in respect of pay, superannuation, conditions of service and allowances. But there is a choice how to vest the Minister's remaining powers (ie "with respect to the organisation and conduct of the civil service of the State, the manner of admitting persons thereto or to situations therein"). The choice is between

- a. retaining the office of Minister for the Civil Service and continuing to vest the remaining functions in that Minister; or
- b. vesting the functions in the Prime Minister.

Our advice, confirmed by First Parliamentary Counsel, is that retention of the office of Minister for the Civil Service would be greatly preferable. On that basis, the Order would be subject to negative resolution procedure, and if laid on the first or second day of the new session (4 or 5 November) could come into effect, say, two and a half weeks later (on Monday 23 November). A fuller note on this subject is at Annex B.

More Detailed Issues

21. In preparation for the announcement work is in progress on:

- a. the drafting of a Parliamentary statement, and notes for supplementaries, about the Prime Minister's decision;
- b. arrangements for informing all Ministers in charge of departments and their Permanent Secretaries;

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- c. arrangements for informing CSD, Treasury and Cabinet Office staff and the national and departmental Trades Union sides about the changes;
- d. arrangements for informing the Treasury and Civil Service Committee;
- e. arrangements for informing others (eg Megaw, CS Appeal Board, TSRB, etc).

22. Further work will be required on:

- a. Accommodation - the aim should be maximum colocation of former CSD staff with the departments to which their work is transferred; this will take time to arrange.
- b. Staff savings - detailed post-by-post scrutiny will be required in some areas
- c. Allocation of CSD support services (eg personnel services, messengers, typists).
- d. Accounting Officer and Vote arrangements.

Because of the risk of leaks, much of this work will have to await the announcement of the changes.

9 October 1981

FUNCTIONS TO BE TRANSFERRED TO THE CABINET OFFICE

1. CSD's work on the following would be transferred to the Cabinet Office.

a. Management Systems and Organisation, embracing:

- CSD's work in support of the Rayner Unit and "good housekeeping" including service-wide reviews; the scrutiny programme; cost-cutting studies and cost-consciousness; and the Transport Economy Unit (FP1 and part of FP2)
- management, organisation and systems studies; service-wide review of forms; O&M including relevant aspects of computerisation (MD)
- support staff for the above, out-posted, as necessary, from the Treasury (these support staff would be drawn from the Staff Inspection, the Operational Research and the Accountancy, Finance and Audit Divisions and the Central Computer and Telecommunications Agency).

b. Personnel Management, including:

- senior appointments
- succession planning and the central management of staff groups
- grading structure
- recruitment and training policies

c. Security; acceptance of business appointments by former senior civil servants and others; and Civil Service conduct.

d. The Machinery of Government Division

e. The Public Appointments Unit

f. The Ceremonial Branch

FUNCTIONS TO BE TRANSFERRED TO THE TREASURY

2. CSD's work on the following would go to the Treasury:

- a. Manpower, including:
 - Annual Scrutiny of Departmental Running Costs
 - Staff Inspection and Evaluation* and the follow up to Wardale
 - supply control of PSA, HMSO and COI and work measurement (part of FP2)
 - Operational Research*
- b. Pay, Superannuation, Allowances, Conditions of Service and retirement policy.
- c. Central Computer and Telecommunications Agency*
- d. Industrial Relations
- e. The CSD unit of Accountancy, Finance and Audit*.

* Staff from these divisions would be out-posted, as necessary, in the Cabinet Office

THE TRANSFER OF FUNCTIONS ORDER

1. The office of Minister for the Civil Service was created in 1968. Since then, the office has always been held by the Prime Minister of the day. The powers of the Minister are to be found principally in the Minister for the Civil Service Orders of 1968 and 71 and in the Civil Service Order in Council 1978.
2. With rare exceptions, government departments have no powers of their own and no legal existence. They are the collectivity of "such secretaries, officers and servants" as the Minister appoints to assist him discharge his functions (para 2, Schedule 1, Ministers of the Crown Act 1975).
3. However, Schedule 2 of the Parliamentary Commissioner Act 1967 lists the "Departments and Authorities Subject to Investigation" by the Commissioner. Both CSD and the Treasury - but not the Cabinet Office - are listed in that Schedule. Moreover, section 5(1) of the Ministers of the Crown Act 1975 ("the 1975 Act") provides that:

"No Order in Council which provides for the dissolution of a government department shall be made under this Act unless, after copies of the draft thereof have been laid before Parliament, each House presents an Address to Her Majesty praying that the Order be made".
4. It is against this background that the following action is suggested to give effect to the redistribution of the CSD's functions.
5. An Order in Council under the 1975 Act would be made to transfer to the Treasury the functions of the Minister for the Civil Service in respect of the remuneration, allowances and pensions of the Civil Service (and, where appropriate, of the armed forces, the judiciary, judicial staff and jurors etc).

6. But the present powers of the Minister "with respect to the organisation and conduct of the Civil Service of the State, the manner of admitting persons thereto or to situations therein" are not to be transferred to the Treasury. We recommend that they should remain vested in the Minister for the Civil Service because:

- a. merit may be seen in the retention of that office;
- b. it would avoid vesting the functions in the office of Prime Minister itself;
- c. since the Minister and some of the staff who currently assist her to discharge her functions would remain, the changes would not involve "dissolution of a government department" and the Order would be subject, therefore, only to negative not to affirmative resolution procedure;
- d. this in no way inhibits the adoption of the name "Office of Management and Personnel" to describe the collectivity of the staff who assist the Minister;
- e. "The Office of Management and Personnel" would be added to the list of "departments" in Schedule 2 of the Parliamentary Commissioner Act 1967, thus preserving the exclusion of the Cabinet Office from the list and from investigation.

7. On this basis, the "Office of Management and Personnel" would be formally separate from the Cabinet Office (important for the reason mentioned in (e) above and in respect of the work of the Treasury and Civil Service Select Committee). But, for administrative purposes, the "Office" could be run as part of the Cabinet Office, with the Secretary of the Cabinet as Permanent Secretary of the "Office".

8. The Order could be:

- a. laid on 4 November;

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b. come into effect on Monday, 23 November (there was a two week gap between the laying and coming into effect of the Minister for the Civil Service Order 1968).

It should be noted that the 40 days for prayers against the Order would not have expired by 23 November. Bringing instruments into effect before the expiration of the 40 days is, however, well precedented.

CSD

9 October 1981

PERSONAL AND CONFIDENTIAL

Mr RICKETT



ORGANISATION OF THE CENTRE: MEETING WITH
LADY YOUNG

Sir Ian Bancroft's submission on the re-allocation of CSD's functions between the Cabinet Office and Treasury should be with the Prime Minister by tomorrow evening.

2. The bare bones are as in the attachment.

C PRIESTLEY

8 October 1981

Enc: As indicated

pm.

PROPOSED RE-ALLOCATION OF CSD FUNCTIONS

A. TO TREASURY (c. 3,200 posts)

- (1) Manpower and General Administrative Expenditure, including:
 - Annual Scrutiny of Departmental Running Costs
 - Staff Inspection and Evaluation Division (50 inspectors now brigaded with "efficiency")*
 - Follow-up to the Chain of Command Review (Wardale)
 - Supply control of PSA, HMSO and COI and work measurement (now brigaded with "efficiency").
 - Operational Research (18 staff)*
- (2) Pay, Superannuation, Allowances, Conditions of Service and retirement policy
- (3) Industrial Relations
- (4) Central Computer and Telecommunications Agency *
- (5) CSD unit of Treasury's Accountancy, Finance and Audit Division *

B. TO CABINET OFFICE (forming an "Office of Management and Personnel") (c. 1000 staff)

- (1) Management systems and organisation
 - The Rayner unit, existing CSD work in support of it and "good housekeeping" (scrutiny programme, Service-wide reviews, cost-cutting exercises).
 - Management Development, eg O&M studies
 - Field and support staff for the above, including some out-posted from the Treasury.

* Staff from these divisions would be out-posted as necessary in the Cabinet Office

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- (2) Personnel Management
- Senior appointments and succession planning.
 - Central management of staff groups; grading structure.
 - Recruitment and training (including the CS Commission and College).
- (3) Security, business appointments and conduct
- (4) Machinery of Government
- (5) Public Appointments Unit
- (6) Ceremonial Branch

NOTE FREE-STANDING FUNCTIONS

The following would report to Treasury Ministers:

Chessington Computer Centre (common pay-roll service)*
CS Catering Organisation *
HM Stationery Office *
Central Office of Information *
Government Actuary's Department

The following would report to the Cabinet Office

Medical Advisory Service
Parliamentary Counsel

* Without prejudice to setting up later a "Common Services Agency" embracing the Property Service Agency and some or all of these functions.



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 4400

Chancellor of the Duchy of Lancaster

2 Oct 1981

Dear Willie,

This is the note I mentioned
from the Chancellor of the Duchy to
the Prime Minister. She would be
grateful if it could be treated
as personal and if the Prime
Minister could see it before
the ~~1500~~ meeting we have
arranged on Friday 9 October.

Yours,

Jim Buckley.

PM's Sec
8/10/81

MR WHITMORE

Prime Minister.
 Permanent Secretaries have already made
 good progress in sorting out the transfer of the
 CSD's responsibilities.

Do you have a view on whether you should
 make this announcement by one statement or whether
 an answer? I
 would be formal,
 but there are timing problems.
 kept going

I reported briefly to the Prime Minister on the meeting which I attended with Sir Ian Bancroft, Sir Douglas Wass and Sir Derek Rayner on 25 September.

2. I had seen Sir Ian Bancroft the previous morning, two hours after his meeting with the Prime Minister. She told me that it had been an unhappy meeting, and he gave me the same impression of it. He made it clear to me that he would want to play a considerable part in advising how the CSD should be split and that, so far as he was concerned, he wanted virtually the whole of it, or at any rate as much as possible, transferred to the Treasury rather than into the Cabinet Office.

3. At our meeting on 25 September Sir Ian Bancroft produced what he described as "a few jottings", which in fact amounted to an eight page note proposing the transfer of everything except the machinery of Government division to the Treasury. The effect of this note was spoiled, however, by the fact that it was self-evidently a not very skilful rehash of a CSD memorandum produced when these matters were being considered a year ago. Sir Derek and I drew attention to your minute of 25 September in which you said that the Prime Minister had decided in principle to abolish the CSD and to redistribute its central functions to the Treasury and Cabinet Office, and that in particular she wished responsibility for pay and manpower to be transferred to the Treasury and the CSD's functions in the field of efficiency to go to an extended Rayner Unit in the Cabinet Office. We did not have much difficulty in agreeing that a feasible split could be achieved on the basis of assigning efficiency in the use of resources (particularly in manpower control and pay) to the Treasury and efficiency in the use and organisation of people (including personnel management as well as management and organisation) to the Cabinet Office. A detailed submission is being worked out on this basis. I shall have a chance to see it on 8 October, before it goes to the Prime Minister, as I am not now going to Pakistan.

4. My impression is that Sir Ian Bancroft, having registered his point, will go along with proposals on these lines, though he may put in a memorandum recording his apprehensions about the effects of the split on the morale of the Civil Service.

5. As to Ministerial arrangements, Sir Douglas Wass and I said that the Prime Minister had indicated to the Chancellor of the Exchequer that she would provide him with an additional Minister of State, to help carry the extra load. That new Minister of State would take the place of the present Minister of State, CSD; we should, therefore, still be up against the statutory limit on numbers of Ministers of State. We thought that the Prime Minister would probably want to ask one of the Ministers of State in the Treasury to deal with Parliamentary questions about day to day matters

on CSD-type questions which now came to the Cabinet Office. Sir Ian Bancroft said that Lady Young had made a very good start on the CSD part of her duties, and it was suggested that she might be invited both to answer questions in the House of Lords and to support the Prime Minister in supervising the CSD business which now came to the Cabinet Office.

6. We were in agreement that the Prime Minister should continue to be both First Lord of the Treasury and Minister for the Civil Service. As to the position of Head of the Civil Service, we distinguished between the function and title. The function peculiar to the Head of the Civil Service of advising the Prime Minister on senior appointments and on Honours would go directly to the Permanent Secretary responsible for personnel management, (under the proposed split, to the Secretary of the Cabinet). I deployed my argument for dispensing with the title, but both Sir Ian Bancroft and Sir Douglas Wass thought that the title had a value (as I know Sir Derek Rayner does) as designating a recognised leader of the profession. I believe that this view is fairly widely shared. I, therefore, suggested, and Sir Ian Bancroft and Sir Douglas Wass agreed, that we should recommend to the Prime Minister that when Sir Ian Bancroft goes she should designate Sir Douglas Wass and me as joint Heads of the Civil Service. That would underline that we were both severally and jointly responsible for its efficiency and service. Sir Douglas Wass said that he thought that this arrangement should be personal to him and me, so that, when he retired in 18 months' time, she would not necessarily have to designate his successor as a joint Head of the Civil Service.

7. We shall have to think very carefully about the timing of the announcement of the Prime Minister's decision. Assuming that she is broadly speaking content with the report which she will receive the weekend after next, we could use the week while she is at the Party Conference to prepare drafts of announcements. In the judgement of all three of us an announcement should be made as soon as possible after the Prime Minister returns: otherwise it will almost certainly begin to leak. Purely on merit the ideal date would be 20 October, and the Prime Minister would announce her decision by way of an oral statement in the House of Commons. That is not, however, an ideal date, because it is the date when the next unemployment figures will be published, and the Prime Minister may have a rowdy question time. On the other hand, if we miss that date, we shall have to wait until the following week for an oral statement, because the Prime Minister will be going to Cancun. I do not think that she can ask the Home Secretary to make this statement on her behalf. If, therefore, an oral statement on 20 October is ruled out, the choice appears to be between a written answer or a White Paper on 20 October and an oral statement on 27 October.

Whether a written answer is sufficient as a vehicle for announcing this decision, I am not sure; you told me that you doubted whether it was, but I wonder whether in the circumstances it might be the least unattractive alternative.

REA

ROBERT ARMSTRONG

30 September 1981

PERSONAL AND CONFIDENTIAL

NOTE FOR THE RECORD

THE FUTURE OF THE CENTRAL
DEPARTMENTS

The Prime Minister saw Sir Ian Bancroft at 0945 hrs on Thursday, 24 September to discuss the future of the CSD.

She said that when she had last considered the future of the department, she had decided not to make any changes largely because the Treasury had felt unable at that time to take on any more work. She would have liked to continue with the CSD but in her heart she did not believe that it would ever be possible to make a go of the department as a unit for controlling Civil Service manpower and efficiency because it did not have the necessary standing with other departments. The fact was that it was really for departments to improve their efficiency from within using their own resources, with help, as necessary, from Sir Derek Rayner's unit.

There were now, as compared with the situation eight months ago when she ^{had} decided to retain the CSD, a number of changes in the offing which meant that this was a good time to reconsider the future of the CSD. Sir Derek Rayner would in future be able to give a good deal less time to his work on behalf of the Government. Sir Ian Bancroft himself and Sir John Herbecq would both retire by the end of 1982. And the Treasury now felt able to take on more work. She had decided to take advantage of these developments and to abolish the CSD, reallocating its central functions to the Treasury and the Cabinet Office. The CSD's functions in the field of efficiency would go into the Rayner Unit.

Responsibility for pay and manpower would be transferred to the Treasury. This left a number of other functions, and a study would be needed to establish where they should go.

The Prime Minister repeated that she did not believe that the CSD would acquire that predominance in Whitehall which was an essential prerequisite if it was to carry out its role effectively. Change was needed, and the factors she had mentioned made it a propitious time to make that change.

/Sir Ian Bancroft

Sir Ian Bancroft said it was only eight months ago that the Prime Minister had announced that the central departments would be left as they were. She had said publicly that she had been marginally in favour of splitting the CSD at that time but had decided eventually against any change. What was different now compared with then?

The Prime Minister said that the ~~new~~ new factors were the three she had already set out - Sir Derek Rayner's reduced availability; the forthcoming retirement of the two top officials in the Civil Service Department; and the readiness of the Treasury to absorb more responsibilities. She was convinced that the CSD would never be able to do the job it had been set up to do. She would have to make changes anyway when he retired at the end of 1982, and she would ^{not} have wanted to replace him in his role as head of the Civil Service. Sir Ian Bancroft said that he would ^{not} have wished to argue against that. His primary concern was ^{with} the reaction of the Civil Service to the abolition of the CSD. The Civil Service saw the CSD as a central department in charge of its overall management. Moreover, it felt that it had a Minister in Cabinet who was able to represent the interests of the Civil Service at that level. The Civil Service saw ~~the~~ Treasury Ministers, on the other hand, as hostile to its interests. The Prime Minister was proposing to give the jugular vein of pay and numbers to the Treasury, and this would be taken as a sign that the Government was hostile to the Civil Service. Moreover, the timing of a fundamental change of this kind could ^{not} be worse. It would come at a moment when the CSD was following up a lot of initiatives in the efficiency field, some of which had originated from the Rayner studies.

The Prime Minister said that there was no reason why this work should not continue following the change. As regards the view which the Civil Service might take of the transfer to the Treasury of responsibility for pay and numbers, these were issues which would have to come to the Cabinet for final decision, wherever responsibility for them lay. She recognised that there were many problems to be sorted out but she was determined to see the change in organisation which she had decided upon implemented in all its main elements by the Christmas Recess, so that it was well out of the way before the Budget.

/ Sir Ian Bancroft

Sir Ian Bancroft said that he hoped that those carrying out the study of how the split should be undertaken would have a certain amount of flexibility. In his view many more functions would have to go to the Treasury than perhaps had yet been appreciated. He thought that it would be right to transfer, together with pay and numbers, responsibility for industrial relations, conduct, discipline, security, political activities, staff inspection and retirement policy. Further, although the Prime Minister had said that she wished to transfer responsibility for efficiency to the Rayner Unit, he thought it impracticable to separate what he called executive efficiency work from manpower, and this would, therefore, have to go to the Treasury rather than to the Rayner Unit. Another aspect which he hoped would not be overlooked was that the CSD did not simply deal with pay and numbers but had to do with people: by this he meant they were responsible for such matters as training and succession planning. He did not see where these functions were going to go.

The Prime Minister said that she had never doubted that there were many obstacles in her way, and he was showing that there were even more than she had thought. Perhaps she might have to go slower than she wished. There was also his own position to consider. She wanted to do for him whatever he preferred. Sir Ian Bancroft said that now that the decision to abolish the CSD had been taken, the sooner the change was made the better. If it was to be done by Christmas, he would then be out of a job and he would have to go at the end of the year on grounds of redundancy. Any other solution would be untenable. He would not want to stay on until his 60th birthday for to do so would be totally artificial. He would prefer to go earlier, though he would need his pension immediately. This was, however, the least of problems. The biggest problem by far was the state of the Civil Service. It was already largely in disarray and in places it was ^{not} disaffected. This was due so much to the presence of subversive elements but arose from a lack of trust in Ministers. This was due not to the 7 $\frac{1}{2}$ % pay settlement as such but what the Civil Service saw as a series of broken agreements. It was the perception of the Civil Service that the present administration was hostile to its own employees.

The Prime Minister said that she could not regard Sir Ian Bancroft's personal position as the least of the problems arising from the decision to abolish the CSD. She was prepared to let him stay on until his retirement date if he wished or to go earlier with suitable financial arrangements. She did not regard the need to do something about the CSD as his fault. What was at fault was the fundamental concept of the CSD. It was a department out of the main stream of Whitehall, and the Treasury was the dominant department in the Civil Service, and not the CSD. There was an alternative to the approach which she

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preferred: this was to leave the CSD as it was until he retired and then to replace him with a second Permanent Secretary and to run the CSD down. But she did not think it would be right to pursue this alternative. Ministers were not hostile to the Civil Service, though she did feel disgust at the resistance which she had encountered to her efforts to bring about greater efficiency. This she did regard as disloyalty. But she was sure that the best course was to press forward with her decision to abolish the CSD. She would therefore like him, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner personally to conduct a very quick study of how best to accomplish the transfer of functions from the CSD to the Treasury and the Cabinet Office and to let her have their recommendations on her return from Australia on 9 October.

27 September 1981

CONFIDENTIAL

File
KAW

1. Sir Robert Armstrong *RA*
2. Mr Whitmore

DEPARTMENT OF THE PRIME MINISTER AND CABINET, AUSTRALIA

1. I attach as Annexes I and II brief notes on the role and history of this Department.
2. The notes are derived from the first two annual reports of the Department, for 1978-79 and 1979-80. Extracts from the latter report are also attached with the main points of interest marked.
3. The work of the PM&C spans that of several Whitehall offices and departments - No 10, Cabinet Office, Privy Council Office, LCD, Paymaster General, CSD (including Ceremonial and GHF) and PSA (in respect of the official residences).
4. The co-ordination/policy heartland of the PM&C amounts to some 180 posts compared with some 70-80 in No 10 and the Cabinet Office.
5. It is I believe a truism of Australian Federal administration that - whatever may have been the need for it after the war and whatever may be its present value as a source of alternative advice and a base for special task forces - the PM&C is too large and causes both duplication of work and resentment among those who are second-guessed.

CP
C PRIESTLEY
24 September 1981

Encs: As indicated

ANNEX I

DEPARTMENT OF THE PRIME MINISTER AND CABINET, AUSTRALIA: ROLE etc

1. The PM&C's main work lies in
 - (1) Advising the Prime Minister on government activities and matters of concern at home and abroad; and
 - (2) helping to develop a co-ordinated administrative response to government policies and priorities.
2. It also assists Cabinet, its Committees and the PM as Cabinet Chairman; co-ordinates reviews of programmes; and deals with relations and communications with State Governments, ceremonial and hospitality and Parliamentary programming.
3. Because of its central and co-ordinating role, the PM&C has new or special functions assigned to it as the need arises. These vary from new policies or priorities (which may later be allocated to another Minister) to such special assignments as arranging for the Commonwealth Heads of Government Meeting.
4. The PM&C says that its "co-ordination role should always be one of support, not dominance": that it relies on the "willing co-operation of other departments to establish the facts and provide views on lines of approach"; and that where its advice to the PM differs from that in departmental submissions, the relevant departments are informed.
5. The PM is responsible for agencies other than the PM&C, including the Auditor General (600 posts), Commonwealth Ombudsman (45) and Public Service Board (equivalent of CSD, 1,085), but their relationship with PM&C is not close. They are independent of it in a policy sense and have direct access to the PM.

Staff and structure

6. The total staff (575) includes the "core" staff (440) and others servicing the official residences and such special

functions as are temporarily assigned to PM&C. It has a permanent staff of its own, unlike our Cabinet Office, but takes people in and sends others out on secondment. The "core" is generously staffed by the standards of 10 Downing Street and 70 Whitehall, where the private secretariat, the committee secretariat, the JIO and CPRS total about 75 posts: the Australian equivalent is upwards of 180 posts.

7. The PM&C is headed by the Secretary and Secretary to Cabinet (Sir Geoffrey Yeend). He has a deputy (Under Secretary, Mr Codd) and two other senior subordinates (Deputy Secretaries, Mr Visbord and Mr Enfield). The department is organised under these officers in three blocks as follows:

(1) Mr CODD (also responsible for CHOGM Task Force)

Staff numbers

Parliamentary & Government
Division

32

Parliamentary business,
machinery of government,
senior appointments, legal
matters

Cabinet Office

32

Secretariat, programming of
issues

Operations Division

179

Very various, including honours,
office and management services,
official residences, corres-
pondence, information

(2) Mr VISBORD

Welfare Division

26

Health, Social Services/Security,
education, manpower

	<u>Staff numbers</u>
<u>Economic Division</u>	25
Economic conditions and policy	
<u>Resources & Development Division</u>	25
Natural resources, urban/regional development, Commonwealth/State relations, conservation	
(3) <u>Mr ENFIELD</u>	
<u>International Division</u>	29
Foreign affairs, defence, intell- igence, internal security	
<u>Office of Ceremonial & Hospitality</u>	30
<u>Trade and Industries Division</u>	19
<u>Communications Division</u>	27
Industrial relations, transport, media, culture, recreation, consumer affairs - "national pride"	

Special functions

8. The PM&C is described as being concerned for the most part with co-ordination of administration and with policy advice, but also as having a special role with regard to the following:

- (1) Jointly with the Department of Finance, identifying and organising "programme effectiveness reviews".
(These sound like PAR.)
- (2) Jointly with the Department of Finance and the Public Service Board assisting the Auditor-General's Office to develop "efficiency audits".
- (3) Federal Executive Council (equivalent to the Privy Council).

- (4) Parliament: PM&C co-ordinates the presentation of papers to Parliament and the response to Committee reports, co-ordinates Answers to Questions.
- (5) Servicing the Cabinet: equivalent to 70 Whitehall, except that staff are said to maintain a close liaison with Ministers, their offices and, normally through "Cabinet Liaison Officers", with departments.
- (6) Relationships between Governments in Australia.
- (7) Ceremonial and Hospitality.

Openness

9. It is noteworthy that the PM&C's annual reports identify the standing committees of Cabinet; show how many Cabinet meetings are held and papers dealt with; and set out the costs of the department in detail.

ANNEX II

DEPARTMENT OF THE PRIME MINISTER AND CABINET, AUSTRALIA: HISTORY

1. The then Federal Prime Minister, Mr Andrew Fisher, set up a small department directly under his own control in 1911. This was to help him cope with the growth of Australian Commonwealth affairs, especially in relation to Britain and to the State governments. (By 1910, there were separate Premiers' Departments in Victoria, New South Wales, Tasmania and Western Australia.) The PMD's functions were co-ordination and communication.

2. The PMD's work grew during the First World War, partly as a result of the demands of war administration and partly in response to the impulsive style of the next Prime Minister, Mr W M Hughes, who was a centralist, fond of "pet projects". The PMD assumed jurisdiction over some government policies for the first time. In 1916, the Department of External Affairs was abolished (re-established in 1935), the PMD assuming its specific external relations functions. The official historian wrote that the PMD had become

"..... greatly enlarged something of a maelstrom into which business from all departments is sucked and continues to swirl round and round, seldom getting back into the ordinary channels, where presumably it might be carried further."

3. Between the wars, an effort, largely abortive, was made to reduce and simplify the PMD's functions. Its administrative responsibilities changed often and its branches were continually re-organised in order to cope with changing functions (eg administration of mandated territories and immigration). Many functions involved policy advice to the Government, but only sporadically and mainly on the specific matters where it was given primary responsibility because of the interests of individual Prime Ministers. The PMD initiated numerous projects or areas of research, which were later transferred to other departments.

4. A Cabinet Office was first set up within the PMD in 1927, somewhat on the British model and with a heavy emphasis on the function of "machinery not policy". The use made of it was fitful until the Second World War, which much extended its work as a "notable aid to administration at the heart of government" (official historian). Mr R G Menzies, the then Prime Minister, attached the Secretary to the Cabinet to the PMD, but the Secretariat itself remained small.

5. The PMD's work grew substantially during the war, not least in respect of negotiations with the State Premiers on questions affecting State co-operation in the war effort. Immediately after the war, however, the Departments of Defence and Post-War Reconstruction provided the expert staffs for most Cabinet committees, while the latter department had the main role in policy co-ordination.

6. There was significant change of direction in 1949. The Department of Post-War Reconstruction was wound up and its Economic Policy Division was transferred to the PMD to form the basis of an expanded Cabinet Secretariat within it. The rationale for this was put by the Minister for P-WR in these terms:

"The basic consideration seems to me to be that the Office of Prime Minister is becoming more and more the pivot around which the whole governmental machine turns. In carrying out its tasks the Prime Minister needs a group of well-qualified officers who can take hold of different issues as they arise and develop them in co-operation with officers of the administrative departments to the stage where the policy decision that is involved is clearly presented. The need exists in all fields of government activity but it is especially felt in matters of economic policy because governments are obliged to concern themselves more intimately with these matters and because the problems are themselves becoming more complex."

7. That change began a substantial development in the role of the PMD on which the influence of personality should be noted:

- (1) The first Secretary of the extended PMD, Mr Allen Brown, who had been Director of the P-WR Department, was a powerful official. He persuaded the Public Service Board, rather against its will, that the PMD should no longer be regarded as merely a channel of communication and it should have not only more but particularly able officials.
- (2) The staff transferred from P-WR included four future Permanent Secretaries, among them Mr G J Yeend, now (as Sir Geoffrey Yeend) the Secretary of the PM&C Department.
- (3) Some of the staff had British Cabinet Office procedures very much in mind as an example and a stimulus. Some had worked in the British Cabinet Office and there were reciprocal visits to Canberra. But they envisaged a broader post-war role for the PMD and in particular an extended central role for the Secretariat.

8. Even so, Brown was anxious to avoid giving the impression that the PMD was a "super" Department. He saw it as having two distinct functions, looking after the mechanics of Cabinet paper work and to enable the Prime Minister to keep

"..... in touch with the major activities of other departments and, in the course of performing these functions, to ensure that all appropriate departments and instrumentalities were consulted before major decisions were taken."

9. After 1949 there was a steady ebb and flow of functions from and into the PMD (eg education in in 1950 and out to a new department in 1966), but the changes which occurred continued

and consolidated the role envisaged for the PMD in 1949-50. This process was reinforced by the development of Australia on the international scene, particularly in the Pacific and in relation to the USA, and by the development of her economy. In the 1960s the PMD was more and more involved in policy co-ordination.

10. The PMD was divided by Mr Gorton in 1968, to form a PMD and a Department of the Cabinet Office, but was recombined by Mr McMahon in 1971 to form the Department of the Prime Minister and Cabinet.

11. The progress made to date was reinforced under Mr Whitlam in 1973, at the end of a long period of government by the same party. During the early months of his Administration there were constant demands on the PM&C for guidance as to principles and practice, right across the whole range of Cabinet and Ministerial work and in respect of the creation and operation of new departments and authorities. Mr Whitlam increased the size of his own private office with special advisers appointed there and in each Minister's office. PM&C was extended to emphasise its overall policy co-ordinating functions. An outsider (Mr John Menadue) was made Secretary of the Department in 1975.

12. The present Prime Minister, Mr Malcolm Fraser retained the enlarged PM&C, modifying its structure in 1977 into eight divisions. A post of deputy (Mr Yeend) to the Secretary (Sir Alan Carmody) was created in 1977, to assist him in his duties as Secretary to Cabinet and as Chairman of the growing number of committees set up at Permanent Secretary level. Mr Yeend succeeded on the death of Sir Alan in April 1978.

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**The Department of the
Prime Minister
and Cabinet**

**Annual Report
1979-80**

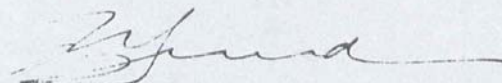
Australian Government Publishing Service
Canberra 1980

August 1980

Dear Prime Minister,

This is the annual report of the Department of the Prime Minister and Cabinet for the financial year ending 30 June 1980. I recommend it be made available to Members of Parliament for their information.

Yours sincerely,



(G. J. Yeend)
Secretary

The Rt Hon. Malcolm Fraser, CH, MP,
Prime Minister

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Part One

Role and structure

The Department's role and structure was discussed in some detail in its first annual report (1978-79). Broadly, the Department of the Prime Minister and Cabinet is concerned with:

- co-ordination of government administration
- policy advice and administrative support to the Prime Minister
- assistance to Cabinet and its committees and to the Prime Minister as Cabinet chairman
- co-ordination of program review activity
- relations and communications with State governments
- government ceremonial and hospitality arrangements
- parliamentary programming
- Executive Council

These functions have remained basically unchanged for some years.

The main work of the Department lies in advising the Prime Minister on government activities and matters of domestic and international concern, and helping to develop a co-ordinated administrative response to government policies and priorities. The policy divisions of the Department are involved in a wide variety of activities flowing from this advisory and co-ordinating role—preparing briefing for the Prime Minister on major policy developments and matters of topical interest, assisting in the development of policy proposals for Cabinet consideration, advising on business before Cabinet, preparing replies to the Prime Minister's correspondence and assisting him in his parliamentary duties.

Because of the Department's central and co-ordinating role, it has at various times new or special functions assigned to it. Such ad-

ditional functions may reflect new policies or the changing priorities of government. Functions and policies may be developed in the Department and subsequently allocated to another ministerial portfolio. At other times there are special activities of a temporary kind for which the Department is made responsible; for example, a major inquiry commissioned by the Government or a major conference such as the Commonwealth Heads of Government Regional Meeting held in Sydney in 1978.

Periodically, adjustments are made within the structure of the Department to accommodate changing needs and priorities.

In 1979-80, such internal restructuring led to the creation of the Communications Division. This Division assumed responsibility for the industrial relations and post and telecommunications functions of the Economic Division; the transport functions of the Resources and Development Division; the briefing, information and media policy functions of the Priorities Branch; and the arts and recreation functions of the Welfare Division. Priorities and review functions continue to be carried out by the Department but are now co-ordinated by the Economic Division. The Welfare Division's three branches have been reorganised into two branches: Community Services and Welfare.

This was achieved with no increase in total staff and no increase in second division positions. Over the past five years, the staffing level of the central office has remained constant.

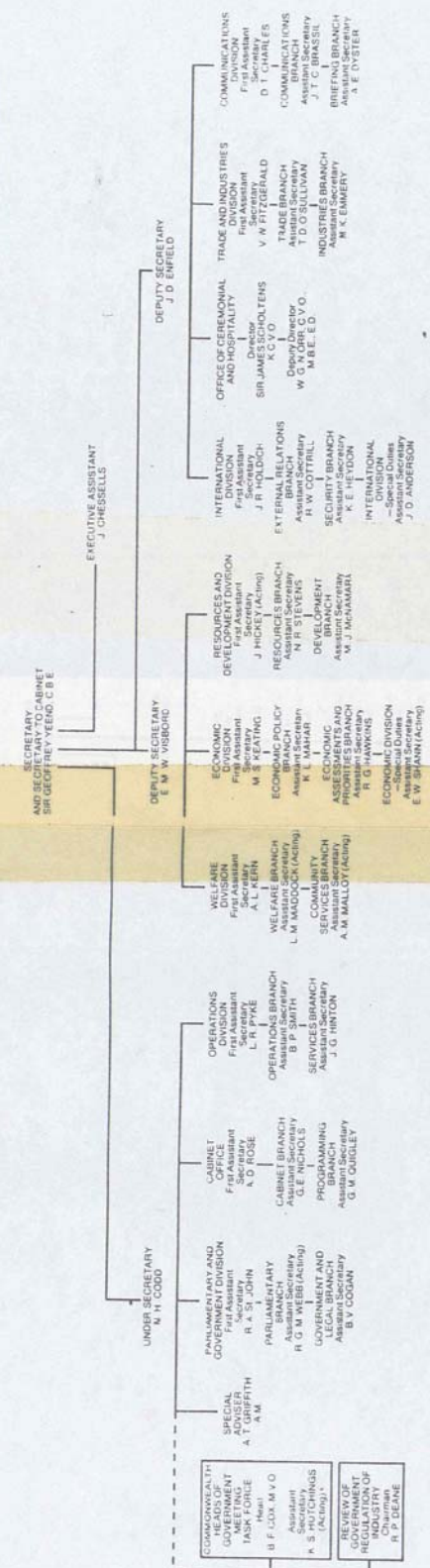
Diagram 1 shows the working structure of the Department.

Diagram 1: Working Structure of the Department

OTHER ORGANISATIONS UNDER THE PRIME MINISTER
 OFFICE OF THE PRIME MINISTER
 AUDITOR GENERAL'S OFFICE
 OFFICE OF THE COMMONWEALTH OMBUDSMAN
 AUSTRALIAN SCIENCE AND TECHNOLOGY COUNCIL

STAFF NUMBERS AT 30 JUNE 1989

1st Division	2nd Division	3rd Division	4th Division	EXECUTIVE DIVISIONS	TASK FORCES
3	3	26	3	3	3
3	3	226	3	3	3
3	3	172	3	3	3
3	3	447	3	3	3



FUNCTIONS	FUNCTIONS	FUNCTIONS	FUNCTIONS
Executive Council Secretariat including Administrative and Finance Divisions Operational arrangements Health, industry and consumer affairs Commonwealth Government and family law Access to official information Legislative Committee Parliamentary Division with Parliamentary practices and and duty committees, special arrangements	Secretariat for Cabinet and coordination of issues to Government	National symbols, honours and awards establishments, departments, and response information services	National symbols, honours and awards establishments, departments, and response information services
Income security, veterans health insurance, utilities, benefits, health and welfare aged and disabled, social in the home and with affairs, Aboriginal youth	Income security, veterans health insurance, utilities, benefits, health and welfare aged and disabled, social in the home and with affairs, Aboriginal youth	Income security, veterans health insurance, utilities, benefits, health and welfare aged and disabled, social in the home and with affairs, Aboriginal youth	Income security, veterans health insurance, utilities, benefits, health and welfare aged and disabled, social in the home and with affairs, Aboriginal youth
Domestic and overseas economic conditions, employment, prices, and fiscal policy, exchange and international monetary system	Domestic and overseas economic conditions, employment, prices, and fiscal policy, exchange and international monetary system	Domestic and overseas economic conditions, employment, prices, and fiscal policy, exchange and international monetary system	Domestic and overseas economic conditions, employment, prices, and fiscal policy, exchange and international monetary system
Natural resources, energy, mineral resources, regional development, conservation, marine, water, fisheries, and environment services, environmental protection, national parks, wildlife, timber and fisheries	Natural resources, energy, mineral resources, regional development, conservation, marine, water, fisheries, and environment services, environmental protection, national parks, wildlife, timber and fisheries	Natural resources, energy, mineral resources, regional development, conservation, marine, water, fisheries, and environment services, environmental protection, national parks, wildlife, timber and fisheries	Natural resources, energy, mineral resources, regional development, conservation, marine, water, fisheries, and environment services, environmental protection, national parks, wildlife, timber and fisheries
International relations, inter- national trade, multilateral trade, trade policy, international trade policy, tariff and trade matters, trade agreements, trade agreements, trade agreements	International relations, inter- national trade, multilateral trade, trade policy, international trade policy, tariff and trade matters, trade agreements, trade agreements, trade agreements	International relations, inter- national trade, multilateral trade, trade policy, international trade policy, tariff and trade matters, trade agreements, trade agreements, trade agreements	International relations, inter- national trade, multilateral trade, trade policy, international trade policy, tariff and trade matters, trade agreements, trade agreements, trade agreements

STAFF EMPLOYED AT 30 JUNE 1989

1st Division	2nd Division	3rd Division	4th Division	EXECUTIVE DIVISIONS	TASK FORCES
3	3	26	3	3	3
3	3	226	3	3	3
3	3	172	3	3	3
3	3	447	3	3	3

DIVISIONAL STAFFING

1st Division	2nd Division	3rd Division	4th Division	EXECUTIVE DIVISIONS	TASK FORCES
1	2	32	3	3	3
1	1	117	4	4	4
1	2	32	3	3	3
1	1	117	4	4	4

Special functions of the Department

While the Department for the most part is concerned with co-ordination of administration and policy advising, there are some activities in which the Department has a special role.

Set out below is a brief description of the functions carried out by the Department with respect to the Federal Executive Council, the Parliament, the Cabinet and intergovernmental relations.

Federal Executive Council

Under the provisions of the Constitution, the executive power of the Commonwealth is exercised by the Governor-General acting with the advice of the Federal Executive Council. Executive councillors under summons are the ministers of the Federal Government.

The regular business of the Executive Council includes the proclamation of acts of the Parliament, the making of regulations and ordinances, the authorisation of treaties, appointments to senior statutory offices and other matters on which the Governor-General is required by law to take executive action.

A secretariat located within the Department organises meetings and provides services for the Council. The Governor-General has appointed an officer of the Department to be the Secretary to the Council.

When the Parliament is in session, the Council usually meets each week at Government House, Canberra. On occasions, and especially when the Parliament is not in session, the intervals between meetings may vary. In some cases meetings are held at locations other than Canberra.

During 1979-80 the Council considered 1969 minutes put forward by ministers and held 68 meetings. (In 1978-79, there were 2018 minutes considered and 69 meetings held.)

Parliamentary functions

The role of the Department in legislative programming and assisting in the management of government business in the Parliament is

discussed in detail in the second part of this report.

There are other matters relating to the conduct of Government business in the Parliament for which the Department has an advisory responsibility. The Department:

- co-ordinates the presentation of papers to the Parliament by ministers and follow-up action required for the preparation and presentation of the Government's response in the Parliament to parliamentary committee reports (484 reports and similar papers were presented by ministers to the Parliament during the Budget sittings 1979 and autumn sittings 1980, and 26 responses to parliamentary committee reports were presented)
- co-ordinates responses to parliamentary questions asked of the Prime Minister or ministers assisting him, or the minister representing him in the Senate (during 1979-80, 139 questions on notice were asked of the Prime Minister, the minister representing him in the Senate or ministers assisting him and a further 498 questions without notice were asked, of which 47 required written supplementary replies).

Servicing the Cabinet

The role of the Department in servicing the Cabinet, described in some detail in the 1978-79 Report, remains basically unchanged.

As an essential part of the arrangement of Cabinet business, Cabinet officers maintain close liaison with ministers, ministers' offices and, normally through Cabinet liaison officers, with departments.

The Cabinet Office is responsible for the handling and circulation of Cabinet papers—Notices of Meetings, Business Lists, Submissions and Memorandums—and the recording and circulation of Cabinet Decisions.

Meetings of the Cabinet mostly take place in Canberra. The Cabinet Room in Canberra is located in Parliament House adjacent to the Prime Minister's office. During 1979-80 two meetings took place in Melbourne and one in Hobart—meetings have also been held in other State capitals in recent years. The meeting in Hobart was the first time the Federal Cabinet had met in that city since 1939.

The numbers of Cabinet meetings, Cabinet papers lodged, and Cabinet Decisions recorded in 1979-80 are shown in Tables 1-3. Figures for 1978-79 are shown in parentheses.

While Table 1 shows that there were fewer Cabinet meetings in the last six months of 1979 compared with the same period in 1978, the number of papers considered and Decisions recorded is broadly comparable. The difference in the number of Cabinet meetings in 1979-80 compared with the previous year largely reflects a change in the pattern of the

Cabinet program rather than a change in level of activity.

Table 2 distinguishes between the various types of Cabinet papers lodged for consideration during the year. Policy issues are normally brought forward by means of a Cabinet Submission authorised by a minister and on which there has been appropriate prior consultation with other ministers and departments having an interest. Cabinet Memorandums are papers prepared by departments, usually in response to requests by the Cabinet or a Cabinet committee for particular information.

Table 1: Number of Cabinet meetings 1979-80 (1978-79)

Period	Number of meetings			Total
	Ministry	Cabinet	Cabinet committees	
1 July 1979 to 30 September 1979	6(5)	21(44)	67(71)	94(120)
1 October 1979 to 31 December 1979	2(2)	22(31)	63(62)	87(95)
1 January 1980 to 31 March 1980	4(5)	22(23)	61(76)	87(104)
1 April 1980 to 30 June 1980	1(2)	21(31)	89(118)	111(151)
Total 1979-80	13(14)	86(129)	280(327)	379(470)

Table 2: Cabinet papers lodged 1979-80 (1978-79)

Period	Papers lodged			Total
	Submissions	Memorandums etc.	Legislation memos	
1 July 1979 to 30 September 1979	189(147)	137(183)	46(72)	372(402)
1 October 1979 to 31 December 1979	208(212)	71(106)	60(59)	339(377)
1 January 1980 to 31 March 1980	163(181)	55(96)	68(55)	286(332)
1 April 1980 to 30 June 1980	238(231)	215(268)	51(68)	504(607)
Total 1979-80	798(771)	478(653)	225(254)	1501(1718)

Table 3: Cabinet decisions recorded 1979-80 (1978-79)

Period	With submission/memorandum	Legislation Committee	Without submission		Total
			Appointments	Other	
1 July 1979 to 30 September 1979	499(272)	53(70)	41(48)	271(468)	864(858)
1 October 1979 to 31 December 1979	311(178)	55(54)	60(42)	126(293)	552(567)
1 January 1980 to 31 March 1980	234(186)	66(49)	43(36)	151(221)	494(492)
1 April 1980 to 30 June 1980	509(692)	45(72)	62(59)	167(306)	783(1129)
Total 1979-80	1553(1328)	219(245)	206(185)	715(1288)	2693(3046)

Intergovernmental relations

The Commonwealth's proposals on policy issues affecting the States are communicated by the Prime Minister to the Premiers and the Chief Minister of the Northern Territory, while State and Territory proposals are channelled to the Commonwealth through the Prime Minister. The Department maintains close relations with the respective Premiers Departments and the Northern Territory Chief Minister's Department.

The Department provides the secretariat for Premiers' Conferences. The following meetings have taken place during 1979-80:

- 7 December 1979 (Premiers' Conference and Loan Council)
- 27 June 1980 (Premiers' Conference, preceded by Loan Council on 26 June)

The Department advises the Prime Minister in his administration of sections of the *Local Government (Personal Income Tax Sharing) Act 1976*. This Act was amended in the autumn sittings of the Parliament to increase local government's percentage share of the previous year's net personal income tax collections to 2 per cent. This percentage of net personal income is allocated to the State Governments for forwarding to local governments in each financial year, and the allocations to local authorities within a State are determined by the State Local Government Grants Commissions. Following receipt and tabling in Parliament of the recommendations of the Commissions, funds are provided to the States for local government.

The Advisory Council for Intergovernmental Relations was established at the April 1976 Premiers' Conference. The aim of the Council is to foster relations between the three levels of government by examining issues of interest and common concern. It receives references from the Premiers' Conferences. During the year, two reports by the Council were tabled in the Parliament: a report on staff interchanges between governments in Australia and an interim report on relationships between Federal, State and local governments. The Commonwealth's share of the financial contributions to the Advisory Council is charged against the Department's appropriation.

Government ceremonial and hospitality

During 1979-80 the Department was involved in arrangements for a number of distinguished visitors from overseas.

There were three visits by members of the Royal Family:

- The Queen and The Duke of Edinburgh visited Australia from 24-28 May 1980 to open the new High Court building in Canberra
- The Duke of Edinburgh, as President of the Royal Agricultural Society of the Commonwealth, visited Western Australia in September 1979 to attend the Society's Biennial Conference as part of Western Australia's sesqui-centenary celebrations
- The Princess Anne visited New South Wales, South Australia and Western Australia in July 1979 for engagements associated with the Diamond Jubilee of the Save the Children Fund.

Other visitors included:

- the King and Queen of Tonga
- the Governor-General of Fiji and Adi Lady Cakobau
- the then Prime Minister of Japan, Mr Ohira, the Prime Minister of New Zealand, the Prime Minister of Fiji and the Prime Minister of Tonga
- the Commonwealth Secretary-General.

Thirty-seven ministers of foreign governments and other special visitors came to Australia as guests of the Government.

The Department is also responsible for co-ordinating ceremonial for formal occasions and for administrative arrangements for visits abroad by the Prime Minister. In the period covered by this report, the Prime Minister:

- attended the Commonwealth Heads of Government Meeting in Zambia (August 1979), preceded by visits to the Seychelles and Nigeria (July 1979), and afterwards to Mauritius.
- visited the United States, Europe and New Zealand (January-February 1980) for discussions on developments relating to the Soviet invasion of Afghanistan
- visited New Zealand (March 1980) for bilateral talks on Australia-New Zealand relations
- visited Zimbabwe for Independence Day Celebrations (April 1980).

The Department assists in the selection and provision of gifts by the Government to other governments or overseas institutions, and to official visitors. The Department also arranges for the valuation of gifts received by ministers: those valued above a certain amount are either surrendered to the Government or purchased by ministers for the valuation price.

Particular activities in 1979-80

Commonwealth Heads of Government Meeting 1981

Commonwealth Heads of Government Meetings (CHOGM) are held every two years.

At the meeting held in Lusaka, Zambia, in 1979, Australia's offer to host the 1981 meeting was accepted.

The Meeting will be the largest and highest level international meeting yet held in Australia (up to 45 countries are expected to be represented, most at head of state or head of government level). The delegation leaders will be accompanied by ministers, senior officials and staff. A large press contingent is expected. In all there could be some 1500 visitors from overseas.

A major management effort is involved in preparing for a meeting of this level and size. A task force was established within the Department towards the end of 1979 to undertake the planning and preparation of arrangements for this major event. The task force is already in contact with and drawing heavily on the expertise of other Commonwealth departments and Victorian State government authorities.

The Commonwealth Heads of Government Meetings follow a traditional pattern. There are formal and informal discussions, involving the heads of delegations, on broad international issues and many opportunities for bi-lateral contact between the leaders who represent countries from Africa, the Americas, Asia, Europe and the Pacific. Discussions usually cover international political and econ-

omic developments and Commonwealth matters such as industrial co-operation, the Commonwealth Fund for Technical Co-operation and the Commonwealth Youth Program.

The meeting will be held in Melbourne at the Exhibition Building during the spring of 1981. Leaders of delegations will also visit Canberra for the traditional weekend retreat.

Official establishments

In September 1979 the Prime Minister presented to the Parliament the final report of the Committee on Official Establishments. The Committee was established by the Government in 1976 to advise it on matters relating to the four official establishments, Government House and the Lodge in Canberra and Admiralty House and Kirribilli House in Sydney.

In its report, the Committee recommended the establishment of a permanent advisory body to provide advice in relation to the long-term conservation, development and operation of official residences. The Government accepted that recommendation and created in 1979 the Official Establishments Trust under the chairmanship of Sir Andrew Grimwade, CBE. The Department provides administrative support for the Trust.

The Committee recommended greater public access to official establishments. Public open days were held at each of the four residences during 1979. Some 17 000 people visited the residences.

Staffing and other administrative matters

Staff numbers and changes

There were 442 core staff in the Department at 30 June 1980. This was at the approved staff ceiling, six less than the staffing level of 448 at 30 June 1979. The distribution of these staff among the organisational divisions of the Department is included in Diagram 1.

During the year, 148 staff left the Department permanently or temporarily:

- 40 promoted out
- 42 transferred out
- 23 resigned from the service
- 1 retired
- 2 ended period of temporary employment
- 30 commenced long term leave
- 9 commenced maternity leave
- 1 commenced Public Service Board overseas scholarship

Staff recruited to, or rejoining, the Department during 1979-80 totalled 142, as follows:

- 51 appointed to the Public Service
- 38 promoted in
- 10 transferred in
- 43 returned after extended leave

Total staff numbers for the Department, as quoted in the Public Service Board's annual statistics, include staff associated with non-departmental functions such as the servicing of official establishments and special functions which are assigned temporarily to the Department. The total staff associated with the Department at 30 June 1975 was 611, compared with 534 at 30 June 1980. The decrease in recent years reflects the transfer away from the Department of organisations such as the Children's Commission and the National Gallery. The number of core staff in the Department has remained virtually constant over the five year period.

It has been long-standing policy and practice in this Department to bring persons into the Department on secondment, and to provide opportunities for persons in the Department to spend periods working outside it. This policy and practice is particularly appropriate

in view of the Department's central role and its co-ordinating responsibilities. During the year there were 21 secondments from the Department to other departments and organisations, and 28 secondments into the Department from elsewhere.

Five second division staff left the Department during the year including the then Under Secretary, Mr A. J. Ayers, who was appointed Secretary to the Department of Aboriginal Affairs. One second division officer was seconded to industry under the Public Service Board's interchange program, another was seconded to the Canadian Privy Council and an officer of the Canadian Privy Council was seconded to the Department. Three officers joined the second division staff from outside the Department.

The Department's central role and co-ordinating responsibilities make it a place to acquire valuable, and in some respects unique, experience and skills which are useful for other departments. Conversely, the often changing demands on the Department require it to recruit persons with a variety of skills, qualifications and experience. The result is that the mobility of staffing between it and other departments is high.

This mobility is illustrated by the fact that about 36 per cent of the second and third division staff of the Department who were promoted during the year were promoted to positions in other departments. Also, of the positions in the Department's second and third divisions to which promotions were made during the year, about 40 per cent were filled by officers from other departments.

Staff development activities

The Department continued to conduct a series of training courses during the year. Approximately 150 officers attended courses covering subjects such as effective writing, clerical and secretarial skills, staff selection, general introduction to the Department, departmental correspondence and special subject discussions.

Fifty-two officers have undertaken courses of study during the year through the studies assistance scheme. Four departmental officers either continued studies overseas or commenced studies overseas through post-graduate scholarships.

In addition the Department continues to support officers attending seminars and courses at institutions outside the Department, including management development programs sponsored by the Public Service Board.

Officers of the Department also supported staff development activities in other departments and through courses conducted by the Public Service Board. These included talks on the role of the Department and Cabinet administration. Officers also spoke to a number of organisations outside the public service, including the Committee for Economic Development of Australia, the Young Presidents Organisation and a course at the Canberra College of Advanced Education. A senior officer attended an O.E.C.D. seminar on the control of public expenditure.

Management consultancy and internal audit

The management consultancy section, including internal audit, continued its review of the efficiency and effectiveness of the operations of the Department's organisational structure, operating systems, methods and procedures.

Following a feasibility study of information management conducted by the Public Service Board, the Department and the Board collaborated on the production of a pilot study

of the Department's information management requirements.

Subsequently, an information management committee was established to consider the recommendations made in the study team's report. Work is continuing on the evaluation of these recommendations and consideration of possible changes to the Department's information management systems.

During 1979-80 the section also continued its review of the operations of the Department's word processing system.

Technological aids

The Department uses automatic typing equipment and other technological aids for the production and transmission of documents. In 1979 new word processing equipment became available to the Department and is now used extensively to assist it in its responsibility for servicing the Cabinet. Among the tasks for which the equipment proves useful are the preparation of Business Lists and Decisions of the Cabinet and its committees. The new equipment is also being used to assist the Department generally in the preparation of correspondence and reports.

Services to other organisations

The Department continues to provide accounting and personnel services to some of the other organisations for which the Prime Minister is responsible, such as the Commonwealth Ombudsman, the Office of National Assessments and the Australian Science and Technology Council.

Finance

Details of funds appropriated in 1979-80, together with expenditure recorded against each appropriation, are set out in Table 4. Expenditure for 1978-79 is also shown.

Table 4: Appropriations and expenditure 1978-79 and 1979-80

	1979-80 Appropriation Acts 1 and 2 (Budget)	1979-80 Appropriation Acts 3 and 4 (Additional Estimates)	1979-80 Expenditure	1978-79 Expenditure
	\$	\$	\$	\$
DIVISION 500				
ADMINISTRATIVE				
1 Salaries and payments in the nature of salary				
01 Salaries and allowances	8 090 000	245 000	8 295 346	7 569 398
02 Overtime	187 000	..	181 683	175 048
	8 277 000	245 000	8 477 028	7 744 446
2 Administrative expenses				
01 Travelling and subsistence	474 000	66 000	524 182	482 286
02 Office requisites and equipment, stationery and printing	630 000	..	629 946	588 976
03 Postage, telegrams and telephone services	495 000	..	495 000	429 764
04 Consultants—fees	37 000	..	28 753	42 516
05 Computer services	40 500	1 200	41 343	32 134
06 Incidental and other expenditure	150 000	10 000	159 561	134 906
	1 826 500	77 200	1 878 785	1 710 582
3 Other services				
01 Former Governors-General or their dependants—annual allowances	57 000	700	57 292	56 996
02 Australian National University Centre for Research on Federal Financial Relations	129 000	..	129 000	129 000
03 Advisory Council for Intergovernment Relations	168 750	..	168 750	156 500
04 Distinguished visitors, guests and special occasions—official hospitality, presentations and entertainment	733 000	92 400	947 342(a)	732 916
05 Committee of inquiry into education and training	4 350	..	1 758	47 385
06 Visit of Her Royal Highness, The Princess Anne, Mrs Mark Phillips—1979	20 000	..	19 662	..
07 Visit of Their Majesties The King and Queen of Tonga—1979 . . . . .	..	50 000	45 950	..
08 Visit of His Royal Highness The Duke of Edinburgh—1980 . . . . .	..	4 500	4 426	..

	1979-80 Appropriation Acts 1 and 2 (Budget)	1979-80 Appropriation Acts 3 and 4 (Additional Estimates)	1979-80 Expenditure	1978-79 Expenditure
	\$	\$	\$	\$
09 Royal Visit---1980 . . . . .	..	371 000	282 585	..
10 State funerals . . . . .	..	1 200	1 110	67 308
	1 112 100	519 800	1 657 875	2 414 759(b)
Total Division 500	11 215 600	842 000	12 013 688	11 869 787
DIVISION 504—CONVEYANCE OF GOVERNOR-GENERAL, MINISTERS OF STATE AND OTHERS BY RAAF AND DEPARTMENT OF TRANSPORT AIRCRAFT				
01 RAAF	2 061 000	596 600	2 747 297(a)	2 318 539
02 Department of Transport	20 000	4 400	27 890(a)	21 903
Total Division 504	2 081 000	601 000	2 775 187	2 340 441
DIVISION 505—OFFICIAL ES- TABLISHMENTS				
2 Administrative expenses				
01 Allowance to Governor- General for up-keep of Governor-General's establishments	572 500	7 500	580 000	553 000
02 Wages of staff, other than Governor-General's establishments	172 700	..	172 575	158 064
03 Telephone services	107 000	..	106 083	115 558
04 Repairs and maintenance	216 500	..	202 066	127 638
05 Maintenance of grounds	360 000	30 000	357 526	331 140
06 Fuel, light and power	51 500	4 500	55 541	45 477
07 Freight and transport	96 000	..	88 773	100 713
08 Furniture and fittings	31 300	..	29 551	75 889
09 Incidental and other expendi- ture	72 000	..	72 000	67 469
Total Division 505	1 679 500	42 000	1 664 116	1 574 949
DIVISION 506—GOVERNOR- GENERAL'S OFFICE				
1 Salaries and payments in the nature of salary				
01 Salaries and allowances	383 500	..	372 578	320 387
02 Overtime	2 600	..	2 159	2 315
03 Salary of the Administrator . . . . .	..	100	38	..
	386 100	100	374 775	322 702
2 Administrative expenses				
01 Travelling and subsistence	35 000	178 900	185 378	34 453
02 Australian honours-- insignia, warrants and invest- itures	159 000	35 000	123 305	129 112
03 Incidental and other expendi- ture	65 000	..	64 688	65 387
	259 000	213 900	373 370	228 952
Total Division 506	645 100	214 000	748 146	551 654

	1979-80 Appropriation Acts 1 and 2 (Budget)	1979-80 Appropriation Acts 3 and 4 (Additional Estimates)	1979-80 Expenditure	1978-79 Expenditure
	\$	\$	\$	\$
DIVISION 915 CAPITAL WORKS AND SERVICES				
1 Buildings, works, plant and equipment				
01 Official establishments	164 200		156 180	163 946
Total Appropriation Acts	15 785 400	1 699 000	17 357 317	16 500 777
SPECIAL APPROPRIATIONS				
Under the <i>Governor-General Act</i> for payment of the Governor-General's salary and allowances to former Governors-General				
		91 400	91 344	86 489
Under the <i>Remuneration Tribunal Act</i> for payment of salaries, fees and allowances to first division officers and holders of public office				
	100 800		94 506	121 645
Total Special Appropriations	192 200		185 850	208 134
Total	17 676 600		17 543 167	16 708 911

(a) Includes funds made available under Appropriation Act No. 1, Division 310—Advance to the Minister for Finance.

(b) Also includes expenditure of \$1 224 654 on Visits by Members of the Royal Family and Heads of State, Sesquicentenary of Western Australia—Presentation, NOW Centre and the Commonwealth Heads of Government Regional Meeting—Sydney, on which there was no expenditure in 1979-80.

Part Two

The Department and its role in the legislative process

Given the role of the Department of the Prime Minister and Cabinet in the legislative process, as described below, it seemed appropriate to provide a special article in this annual report on aspects of the development of legislation which may not be widely known.

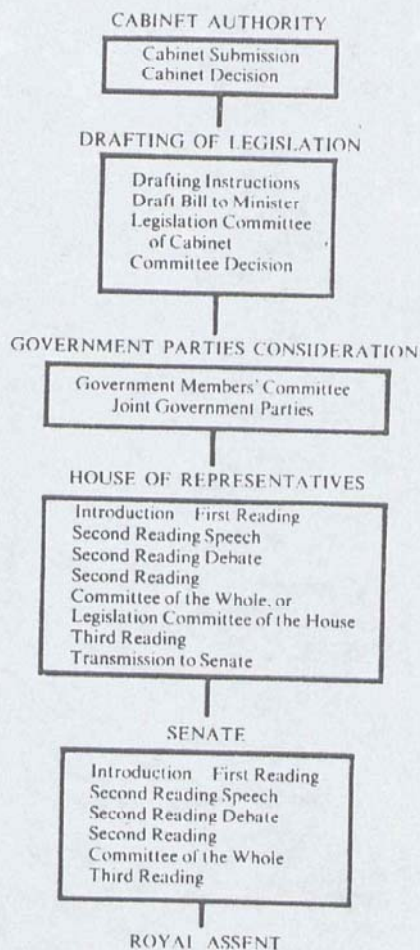
The process by which bills are considered by Parliament and become law is a familiar one and is well documented in various reference works.¹

A process not so familiar is that which precedes the introduction of bills into the Parliament – their genesis and their development into proposed laws for presentation to Parliament.

The aim of the Government is to ensure that its bills, when introduced, not only reflect its policies but also are legally and technically accurate. Both the policies and the bills designed to implement them are subjected to close and sometimes lengthy examination before the resulting bills are presented to Parliament for debate and scrutiny. Bills may be amended by the House of Representatives or the Senate during their passage through the Parliament. Some bills are referred to committees of the Parliament for examination. It is also open to the Parliament to reject bills. Consequently, throughout the parliamentary process, ministers and their officials need to monitor progress of bills and to study the implications of any changes. At the end of the parliamentary process, ministers and their departments have the responsibility for administration of the new law.

Diagram 2 sets out the main stages in the evolution and passage of a bill. It is based on arrangements under the present Government.

Diagram 2: Main stages in the evolution and passage of a bill



Origins of a bill

Most bills have one or more of the following origins:

Election undertakings

Each of the parties has a platform which spells out its philosophy and main policies. At election time specific undertakings are made for the introduction of policy changes.

Minister's portfolio responsibility

A wide range of bills falls into this category. Their need may arise, for example, from new policy proposals, administrative necessities, international obligations, or agreements with the States.

Legal needs

It is a reflection of the quality of drafting and the scrutiny of legislation that relatively few bills are needed to correct major legal deficiencies in existing Acts. The need for such bills does occasionally arise, however, often as a result of a Court finding an Act to be deficient in the intention of its application, or on constitutional grounds.

It is not possible to give a precise reason for the increase in legislation which has occurred in the past decade or so; it is probably due to a combination of factors including the increased demands on government; constraints set upon the Parliament's law-making powers by sections 54 and 55 of the Constitution, and a general desire to keep each Act as straightforward as possible by dealing with one particular subject.¹

Recurrent legislation

There are many bills, usually those involving payment of moneys (e.g. bounties or grants to the States), which have application only for a fixed period. The need for renewing legislation is therefore subject to government evaluation of the particular policy as well as parliamentary scrutiny.

1. For example—
House of Representatives, *A Short Description of Business and Procedures*, AGPS, Canberra 1978
Odgers, J. R., *Australian Senate Practice*, AGPS, Canberra 1976

Legislation programming

Before each period of sittings, ministers agree upon those bills to be drafted and submitted to the Parliament. Often the total number of bills proposed by all ministers is more than the Parliament can consider in the sitting period and priorities have to be determined by ministers in the Legislation Committee of the Cabinet.

Table 5 shows the increase in the number of bills which have been introduced into the Parliament in selected years since Federation, together with the changing lengths of sittings.

The increasing volume of legislation has been of concern for many years. As indicated in Table 5, the number of sitting days and sitting hours per year has remained fairly constant in the past decade. There are difficulties in extending the sitting time of the Parliament, particularly because of electorate and other commitments of members.

There are increased demands on the time of ministers in particular, and on members and senators in general, requiring attention to be given not only to the overall requirements for, and volume of, legislation, but also to the programming of that legislation to ensure that it is presented to the Parliament in an orderly fashion. The growth in other parliamentary activities, particularly committee work, cuts into the time available to debate legislation.

2. Wide-ranging Acts dealing with a variety of seemingly unrelated matters were not uncommon in England some centuries ago. In the time of Queen Anne, for example, the title of one Act read:

'An Act for laying additional duties on hides and skins, vellum and parchment, and new duties on starch, coffee, tea, drugs, gilt and silver ware, and policies of insurance, to secure a yearly fund for satisfaction of orders to the contributors of a further sum of £1,800,000 towards Her Majesty's supply; and for the better securing the duties on candles; and for obviating doubts concerning certain payments in Scotland; and for suppressing unlawful lotteries, and other devices of the same kind; and concerning cake soap; and for relief of Mary Ravenall, in relation to an annuity of £18 per annum; and concerning prize cocoa nuts brought from America; and certain tickets which were intended to be subscribed into the stock of the South Sea company; and for appropriating the monies granted in this session of parliament.'

(10 Anne, C.26)

Table 5: House of Representatives sittings 1901-1979

	<i>Days</i>	<i>Hours</i>	<i>Average hours per day</i>	<i>Bills</i>
1901	113	886	7.40	28
1911	61	559	9.09	30
1921	93	720	7.44	49
1931	94	744	7.55	73
1941	50	396	7.55	73
1951	56	511	9.08	85
1961	55	575	10.27	99
1971	74	742	10.02	148
1972	60	680	11.33	162
1973	81	913	11.27	250
1974*	62	678	10.94	220
1975	69	743	10.77	197
1976	79	781	9.89	227
1977	62	615	9.92	154
1978	75	747	9.96	224
1979	69	617	9.87	209

* Excludes Joint Sitting

Cabinet authority

Government legislation is not introduced into the Parliament unless the policy which it is designed to implement has first been agreed to by the Cabinet. Proposals for bills, even those flowing from election undertakings, are never taken as being capable of automatic implementation. All proposals are first made the subject of a Cabinet Submission for consideration by ministers. On the authority of the minister, a Submission is prepared by his department and canvassed with other interested departments and authorities. After final approval by the responsible minister it is lodged with the Cabinet Office and, in due course, is listed for the Cabinet's consideration.

After consideration of the issues set out in the Submission, the Cabinet may agree to the minister's proposals. A Decision is issued by the Secretary to Cabinet detailing the matters which have been agreed and setting out the parameters for the draft legislation.

Drafting instructions and preparation of a bill

After the issue of the Cabinet Decision, the responsible department issues drafting instructions to the Office of Parliamentary Counsel, which is responsible for the drafting of proposed laws for introduction into either

House of Parliament. There is then close contact between the two, and with other interested departments, until an agreed draft bill reflecting the Cabinet Decision is agreed to by the minister.

The bill is then submitted by the minister to the Legislation Committee of the Cabinet. The Committee currently includes the Leaders in each Chamber and is chaired by the Leader of the House of Representatives.

The provisions of each bill are examined by the Committee. If the Committee does not agree with all of the bill's provisions, it may refer it back to Parliamentary Counsel, to the minister or, if necessary, to the Cabinet. If the bill meets with the agreement of the Committee its progress to the Parliament is authorised.

Government Members' Committee and Joint Government Parties

Before a bill is introduced it is examined by the relevant government members' committee. The committees cover the main areas of government administration.

The minister explains the provisions of the bill to the committee, answers questions upon it and may agree to consider amendments to it. If the amendments are of a fundamental policy nature, the minister refers the matter for further consideration by the Cabinet; or they may be of a technical nature which would be considered by the Legislation Committee.

The final step in the pre-parliamentary process is consideration of the bill by the joint government parties at their regular weekly meeting, where bills are subjected to examination by all government members and senators and the responsible minister is required to explain the provisions of the legislation. If the bill or a particular aspect of it does not meet with the approval of the joint parties, it may be necessary for the issue to be examined again by the Cabinet. If the bill is agreed to by the joint parties, it is then ready for introduction into the Parliament and proceeds through the remaining phases set out in Diagram 2.

The role of the Department of the Prime Minister and Cabinet

The Department's co-ordinating role ranges across the various stages of the legislative process. There is close consultation with the Leaders of the House of Representatives and the Senate, the Office of Parliamentary Counsel, departments, and officers of the Parliament. In particular the Department is concerned with:

- formulation of the legislation program for each period of sittings
- monitoring of the progress of bills from the Cabinet Submission stage to their submission to the Legislation Committee of Cabinet
- programming and monitoring of bills through each House of the Parliament.

Legislation Committee

The Department provides the secretariat to the Legislation Committee (which decides on the legislation program and approves individual bills) and is the co-ordination point, through the Cabinet Office, for receipt of documents for submission to that Committee. The Cabinet Office then issues Decisions of the Committee.

Drafting of legislation

Once the legislation program has been agreed upon, the Department consults with Parliamentary Counsel on the drafting of the bills to see that, as far as possible, drafting instructions are ready on time, that issues between departments and Parliamentary Counsel are settled promptly, and that there is a regular flow of bills into the Parliament.

Parliamentary liaison

In each House of the Parliament a minister is responsible for the Government's program of legislation. These ministers - the Leader of the House of Representatives and the Leader of the Government in the Senate - arrange the Government's parliamentary business within and between the Houses of Parliament in consultation with ministerial colleagues, the Party Whips, the President or the Speaker and the Clerks. In addition there is regular consultation with the Opposition parties.

Two officers of the Department serve as Parliamentary Liaison Officers (PLO) to the Leader of the House and the Leader of the Senate. Each PLO works closely with the Leader, other ministers, their staffs and departments, Government and Opposition members and the parliamentary departments. Each has a primary responsibility to advise the respective Leaders on the programming of the Government's legislation each day and to monitor the progress of bills through the various stages in the parliamentary process.

The Government has control of the day by day arrangement of items listed under Government Business on the Notice Papers for the respective Houses. Notices and Orders of the Day are arranged by the respective Leaders in accordance with government priorities, and for this the advice of the PLO is available.

The timing of the introduction of bills is co-ordinated by the PLOs, on the authority of the Leader of the House or the Leader of the Government in the Senate, in the light of the availability of bills and the other business of the Parliament.

The PLOs work closely with Government Whips in each House with respect to the program of Government business, in particular on the timing of debates. They advise ministers and departments of the times when the business relating to them is likely to be dealt with, consult with the Leader of the House about ministers' or departments' requests for variations of business, and liaise generally with departments on parliamentary matters. They keep in touch with ministers in regard to matters requiring their attention in the Parliament.

Conclusion

There is a great deal more to the legislative process than the public parliamentary debates. The preceding account is only a general description and there are many aspects and complications which arise and which cannot be covered in this short account. The Department has recently published a *Legislation Handbook* which deals in detail with the formulation of legislation.

Within the public service the requirements of the legislation process are commanding greater attention; departments, and some statutory authorities, now have officers to liaise on legislative matters; in some organisations a full branch is required to deal with legislative matters.

The Department sees the requirement for planning the legislative program as continuing and increasing. Whether or not the volume of legislation coming before the Parliament can in the longer term be reduced, it does seem that constitutional requirements, the nature of the federal system in Australia and the social, economic and other needs of the community will continue to require a heavy program of legislation to be placed before the Parliament each year.

SUBJECT

cc notes



FILE

Goff
Macl

VLS

cc HMT
CO
CO (Rayner)

10 DOWNING STREET

From the Principal Private Secretary

SIR IAN BANCROFT

Future of the Central Departments

When the Prime Minister saw you this morning, she told you that she had decided in principle to abolish the CSD and to redistribute its central functions to the Treasury and Cabinet Office. In particular she wished responsibility for pay and manpower to be transferred to the Treasury and the CSD's functions in the field of efficiency to go to an expanded Rayner Unit in the Cabinet Office. She recognised that this left a number of other blocks of work for which a destination would have to be found. This required further study. She wanted the redistribution of functions to be completed in its essentials during the Christmas Recess.

B/E

After discussion, the Prime Minister said that she would be grateful if you, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner could conduct the study on how the reallocation of the CSD's functions should be arranged in detail. The exercise should be conducted on a highly confidential and restricted basis, in order to avoid news of the Prime Minister's decision becoming public prematurely. The report of the study should be ready for her on her return from Australia on 9 October.

As you know, the Prime Minister saw the Chancellor of the Duchy of Lancaster this afternoon and told her of her decision.

I am sending copies of this minute to Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner.

C. A. WHITMORE

24 September 1981

VLS

cc for information

Mr WRIGHT

✓ Mr Whitmore
Sir Derek Rayner

THE CENTRAL DEPARTMENTS

1. I have arranged to see Sir Robert Armstrong again at 6 15 tomorrow evening to take on board any final points before he leaves for Australia and, if there is time, to come back to some of the issues of substance he mentioned briefly this morning.
2. The purpose of this minute is to register some other points and to make a request.
3. First, you may like to know that I have sent a short note to Mr Whitmore, saying that my minute to him of yesterday may be a sufficient aide-mémoire for the meeting with Sir Ian Bancroft but that if anything else is needed by way of briefing I will supply it.
3. Secondly, I agree with what Sir RA said this morning about the timing of an announcement. We contemplate 29 October. But there is plainly a risk of leakage well before that as the circle of those in the know widens. One critical point in all this may be The Queen's absence abroad, but it may be that the PM, Sir RA and Mr Whitmore will have an opportunity to discuss this point during their visit to Australia.
4. Thirdly, I am concerned about getting the work which has been laid at my door done in good order by 9 October. We have a decision in principle and I do not think that the "study" called for need be very elaborate. My intention is to prepare a series of drafts and try them out on the Treasury, CSD and Cabinet Office representatives. But, quite frankly, I do not see this as a matter on which all the detail can or should be the subject of agreement rather than consultation. I therefore suggest that consideration should be given to

Mr Whitmore issuing to me, for this purpose as a member of the PM's staff, instructions in the following terms:

"Mr Priestley

THE CENTRAL DEPARTMENTS

It has been decided that CSD functions relating to Manpower, Pay and Superannuation should be moved into the Treasury and other CSD functions into the Cabinet Office during the Christmas Recess. It has also been decided that decisions on the organisation of such services as computers and catering may be held over until after this move. I confirm that you are requested to produce, by Friday 9 October:

- (1) advice for the Prime Minister on the measures necessary to achieve the move and to enable decisions to be taken on the second-stage matters and
- (2) drafts of the statements, letters etc which will be necessary at the time the decision is announced, provisionally 29 October. You are to do so in consultation with officers nominated on behalf of the Treasury, CSD and Cabinet Office.


I am copying this to Sir Ian Bancroft, Sir Douglas Wass and Sir Robert Armstrong.

C A WHITMORE"

5. I should confirm, by the way, that the only practical way I see of getting the work done is for me to press on hard

with drafting and not spend time "in committee". I am having a personal word with Mr Butler about this tomorrow and think that he will be sympathetic.

6. Finally, I should declare an interest in that, as you already know, my post is one of those which may be subject to rationalisation on the move at Christmas. Another is that occupied by Mr A W Russell, who may be Sir IB's representative for the study team. I shall, naturally, do my best as I am sure Mr Russell would, but you should know that Sir DR very strongly takes the view that the occupant of a merged Priestley/Russell post should not be Mr Russell.


C PRIESTLEY
23 September 1981

PS: I understand that Sir Douglas Wass is asking for the "original paper" setting out the arrangements for Option 2B. This must be Sir DR's personal minute to the PM of 29 June. I would not wish to see it released, as it combines comments on issues of principle and on personality. We are now at the stage of translating a decision into effect. As far as the rationale is concerned, it will be covered in sufficient detail by the drafts I shall prepare of the statements to Cabinet, Parliament and Mr du Cann, on which the Treasury and others will be consulted.

PERSONAL AND CONFIDENTIAL

Mr WHITMORE

H.
21.78



THE CENTRAL DEPARTMENTS

I understand from Sir Robert Armstrong that Sir Ian Bancroft is now due to see the Prime Minister tomorrow. My note to you of yesterday may be a sufficient aide-mémoire but if you need anything else please let me know.

C PRIESTLEY

23 September 1981

CONFIDENTIAL

PRIME MINISTER

MS

The Central Departments

As agreed at your meeting with the Chancellor of the Exchequer last Friday I saw Sir Ian Bancroft this afternoon to prepare the way for the meeting that you propose to have with him to let him know of your decision to abolish the CSD.

I told him that after a good deal of thought you had come to the conclusion, in the light of experience over the last few months, that it would now be right to wind up the CSD and to distribute its central functions to the Treasury and the Cabinet Office. In particular you had in mind to transfer responsibility for pay and manpower to the Treasury and to incorporate the CSD's responsibilities for efficiency in Sir Derek Rayner's unit. You recognised that this left a number of other functions whose destination was not yet clear. You therefore wanted a quick study done by the CSD, Treasury and Sir Derek Rayner's unit, drawing on the earlier Hawtin/Moore exercise, with a view to recommendations on the detailed split of responsibilities being ready for you on your return from Australia on 9 October. This study would have to be done on a confidential and restricted basis since you did not intend to announce your decision to abolish the CSD until later in October. Your aim was to have the transfer of functions completed in all its essentials by the Christmas Recess.

I went on to say that you were very conscious that your decision had direct and immediate implications for Sir Ian's personal position and that you were anxious, so far as possible, to accommodate his wishes about his own future in the new arrangements. You would want to discuss this with him before you left for Australia. I added that thereafter you would wish to see Lady Young and him together to let her know what you had decided. I mentioned that you had already spoken to the Chancellor of the Exchequer who agreed with what you propose to do. Sir Robert Armstrong and Sir Douglas Wass were also in the picture.

All this came as a complete surprise to Sir Ian Bancroft: he

/had

CONFIDENTIAL

CONFIDENTIAL

2

had clearly had no inkling of the way your mind was moving. He was certainly shaken by the news but he took it very well. He said that he thought that the Civil Service as a whole would not understand why the change was being made and he feared that there might be a strong reaction against it, particularly in the wake of the Civil Service pay dispute. He also wondered how we would explain the rapid reversal of the earlier decision to retain the CSD. After his general response to what I had had to say, however, he quickly started to think about the problems of splitting the CSD's functions which the study would have to tackle. As you would expect, he showed every sign of being ready to co-operate in carrying through your decision.

As regards his own position, Sir Ian Bancroft said that he recognised that one possible outcome of the abolition of the CSD would be his own premature retirement. I repeated that on this you wanted to be as helpful as you could in meeting his own wishes.

He said that he was very grateful to you for giving him advance warning of what you would have to say to him when he came to see you. "It was a very big pill to swallow and digest" and he would like a clear day to order his mind on both the official and personal implications of your decision. I thought that this was a reasonable request and I have therefore asked him to come and see you at 0945 on Thursday morning. I hope to arrange for Lady Young and him to come at 1430 on Thursday.

JAW.

22 September 1981

CONFIDENTIAL



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~930 5422 ext~~ 233 8224

Dear Olive,

22nd September 1987

You may like to have these papers
before seeing Tim later this evening, for
which my thoughts will be with you both.

Note on the restriction M & C copy.
Following.

If possible, please fill me in on anything
I need to know after tomorrow's meetings with
the CO & me in. All good wishes,

Yours ever,

Olive

PERSONAL AND CONFIDENTIAL

Mr WHITMORE

THE CENTRAL DEPARTMENTS

We spoke earlier this afternoon. I now attach:

- a summary action plan
- a rather fuller outline of the action plan.

2. The membership of the "study" group has now been notched up to US level by the Treasury, which will be represented by the PEO, Mr Butler, but unless otherwise instructed I shall keep the initiative in my own hands.

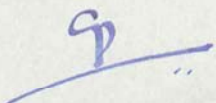
3. You may like to have these reminders:

- (1) The "public expenditure" bits of the CSD destined for the Treasury are Manpower (US + c. 50 staff); Pay (US + c. 85 staff); Superannuation and Home & Overseas Allowances (US + c. 45 London-based staff - some others are in Basingstoke). Total: c. 180 staff.
- (2) That constitutes a Deputy Secretary command rather bigger than now (ie Manpower on top of Pay and Superannuation); Mr Le Cheminant might have it, adding to his existing assignment.
- (3) The "efficiency" bits destined for the CO (and the Rayner unit) are Management and Organisation (including Public Appointments and Machinery of Government, US); Functions and Programmes (including Staff Inspection, US); perhaps policy aspects of the Central Computer and Telecommunications Agency (US); and Personnel Management (US), including policy on recruitment and training, and senior appointments. Ceremonial (AS) should be added.

- (4) The executive parts of CSD whose organisation would require a decision at the second stage are Catering (CISCO, US); College (US); CCTA (US), perhaps including policy; Commission (2 USs); Medical Advisory Service (US); and Security (US).
- (5) The "efficiency" elements of CSD noted at (3) above would report directly to a Second Secretary (Mr Cassels). The following posts are threatened:

<u>Second Secretary:</u>	Sir John Herbecq	} <u>abolition</u>
<u>Deputy Secretary:</u>	Mr Wilding	
	Mr Fraser (mainly personnel, recruitment (including duties as First CS Commissioner), training at present) - <u>rationalisation</u> with Mr Cassels.	
<u>Under Secretary:</u>	Mr Charkham (M&O)	} <u>rationalisation</u>
	Mr Russell (FP)	
	Mr Priestley(RU)	
<u>Assistant Secretary:</u>	Mr R H Wilson (FP)	} <u>rationalisation</u>
	Mr Beesley (RU)	

4. I am copying this to Sir Rober Armstrong and Sir Derek Rayner.


C PRIESTLEY
22 September 1981

Encs: Summary action plan
Outline of action plan

SUMMARY OF ACTION PLAN

1. CDL and Sir Ian Bancroft informed, 23 September.
2. Chief Secretary; Mr Hayhoe; Sir John Herbecq, 24 September.
3. Detailed action plan and drafts submitted to PM by 9 October, approved by her by 16 October.
4. The Queen informed, 27 October.
5. Mr du Cann informed, 28 October.
6. Cabinet; Parliament; and CCSU informed; press briefing; and Office Notices, 29 October.
7. Stage 1 formalities completed by Christmas Recess; change effected during Recess.
8. Stage 2 decisions taken early in 1982.

OUTLINE OF ACTION PLAN

NB: This assumes that the Chancellor of the Duchy of Lancaster and Sir Ian Bancroft are brought into the picture by the Prime Minister on 23 September.

1. The following are informed in confidence as soon as the signal is given (by the Prime Minister or Mr Whitmore on her behalf):
 - Chief Secretary, by or on behalf of the Chancellor of the Exchequer
 - Minister of State, CSD, by the Chancellor of the Duchy of Lancaster
 - Sir John Herbecq, by Sir Ian Bancroft.

Date: 24 September?

2. Mr Priestley, in consultation with the nominees of Sir Robert Armstrong (Mr Stevens), Sir Douglas Wass (Mr Butler) and Sir Ian Bancroft (Mr Towers?) to prepare action plan and associated documents (see below).

The action plan envisages two stages:

1. Enable the major split (Manpower; Pay; Superannuation and Home & Overseas Allowances, 3 Under Secretaries under a Deputy Secretary, Mr L Cheminant?) to go to the Treasury; "efficiency", 4 Under Secretaries, under a Second Secretary (Mr Cassels), to go to the Cabinet Office) during the Christmas Recess.
2. Deal with secondary issues (including CCTA, College, Commission etc) thereafter.

Dates: Thursday 24 September - Friday 9 October.

3. Prime Minister approves action plan and associated drafts; decide whether a Minister (Chancellor?) should see the CCSU.

Date: By Monday 19 October, if possible.

4. Prime Minister informs HM The Queen, Tuesday 27 October.
5. Prime Minister sees the Chairman of the Treasury and Civil Service Select Committee, Wednesday 28 October.

6. Thursday 29 October

AM Prime Minister informs Cabinet.
Prime Minister signs letter to Secretary General of CCSU, delivered at time of or after Parliamentary statement.

PM Prime Minister makes statement to House of Commons after PM's Questions.
Chancellor of the Duchy of Lancaster repeats in the House of Lords.
Press release; Mr Ingham briefs the Lobby.

7. Friday 30 October (or pm Thursday 29 October)

Offices Notices in Treasury, Cabinet Office, CSD.

8. Chancellor (?) sees CCSU, late October?
9. Transfer of Functions Orders laid and approved.

Date: By start of Christmas Recess

10. Change of accommodation

Date: During Christmas Recess.

11. Stage 2 questions reported on and dealt with by end-January/February 1982.

PERSONAL AND CONFIDENTIAL

POINTS TO DISCUSS WITH MR WHITMORE, 22 SEPTEMBER 1981

1. Would a brief on the Australian Department of the Prime Minister and Cabinet be helpful before the PM leaves for CHOGM in Melbourne? ✓

2. Have Lady Young and Sir Ian Bancroft been "brought into the picture"? *NW yr.*

3. I am under instruction from Sir RA and Sir DR to lead the "study" on the re-allocation of CSD functions, due for completion by Friday 9 October. Does this chime with Mr Whitmore's understanding? *Yes.*

NB: Stage 1: Enable the major split to take effect during the Christmas Recess.

Stage 2: Deal with secondary issues (eg CCTA, CISCO thereafter).

4. Will either or both of Mr du Cann and the CCSU be seen by the PM or be written to? Is it a matter of draft letters or meeting briefs? *- see, probably by letter 29 Oct - with a 29 Oct.*

5. I intend to prepare the following drafts:

29 Oct. (1) Statement to Cabinet: oral. Date?

29 Oct. (2) Parliamentary Statement: oral, or Written Answer? (If oral, will also need brief and supplementaries.) Date? ↑

(3) Public announcement + press briefing.

(4) Office Notices (Treasury, Cabinet Office, CSD)

L 30 Oct.

FILE

PERSONAL AND CONFIDENTIAL

R H

SUBJECT

Graft
Mach



cc:- Sir D Wass
Sir R Armstrong
Sir D Rayner

10 DOWNING STREET

From the Principal Private Secretary

18 September, 1981

The Central Departments

The Prime Minister held a meeting with the Chancellor of the Exchequer this afternoon to discuss the future of the Civil Service Department. Douglas Wass, Robert Armstrong and Derek Rayner were also present.

The Prime Minister said that although she had decided when the future of the CSD had last been considered that the department should remain as it was, she had now come to the conclusion, in the light of experience over the last few months, that the time was ripe to abolish the CSD and to distribute its central functions to the Treasury and the Cabinet Office. In particular she thought that responsibility for pay and manpower should be transferred to the Treasury and that the CSD's work on efficiency should be incorporated in Sir Derek Rayner's unit in the Cabinet Office. This left a number of other functions, like the Civil Service Commission and the Central Computer and Telecommunications Agency, for which a suitable resting place would have to be found. She hoped that the change could be made in all its essentials by Christmas, although she recognised that in some respects the consequences of the change would take longer to work through: getting staff in the right accommodation was a case in point.

The Chancellor of the Exchequer said that he agreed with the Prime Minister's decision in principle to abolish the CSD and to redistribute its responsibilities. He thought that the additional work which would come to the Treasury would require an extra Minister, at least initially.

In discussion it was pointed out that it was already possible to see where some of the CSD's functions apart from pay, manpower and efficiency should go. For example, it made sense for responsibility for conditions of service to be transferred with pay and manpower to the Treasury. The same was true of pensions. Machinery of Government matters, on the other hand, should go to the Cabinet Office. But in other areas it was not clear how the CSD's responsibilities should be re-allocated. A quick exercise based on the earlier Hawtin/Moore study was needed to make recommendations on the redistribution of responsibilities. But before this work, which would need to be kept confidential, could be put in hand, the Chancellor of the Duchy of Lancaster and Ian Bancroft would need to be brought into the picture.

/In further

5/72

FILE

PERSONAL AND CONFIDENTIAL

R H

SUBJECT



Goff
Mach

cc:- Sir D Wass
Sir R Armstrong
Sir D Rayner

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/In further

5/7/81

PERSONAL AND CONFIDENTIAL

- 2 -

In further discussion it was pointed out that the staff side would be hostile to the abolition of the CSD and to the split of its functions between the Treasury and the Cabinet Office. The new arrangements would mean that they no longer had one single Minister to deal with. But since this was a machinery of Government matter, there could be no question of consulting them. Rather it was a matter of informing them just before the decision was announced. Similarly, Mr Edward du Cann, the Chairman of the Treasury and Civil Service Select Committee, should be told of the decision immediately before it was announced.

The Prime Minister, summing up the discussion, said that she would see Lady Young and, separately, Ian Bancroft the following week. This would pave the way for a study by Michael Hawtin, Julian Moore and Clive Priestley on how all the CSD's present functions should be re-allocated. The study should be completed in time for her return from Australia on 9 October. She would aim to make an announcement later in October. She accepted that the Treasury would probably need to be strengthened by an additional Minister, at least in the first instance. BF

I am sending copies of this letter to Douglas Wass, Robert Armstrong and Derek Rayner. I need not emphasize its sensitivity and I am sure that you and they will handle it accordingly.

BA WHITMORE

J Kerr, Esq
HM Treasury

010
Ref: A05560

No - I haven't made myself
clear. This system
would produce
a strengthened bureaucracy.
I want a strengthened
strategy section. To totally
clarify it

PERSONAL AND CONFIDENTIAL

MR. WHITMORE

I promised to send you a note about the ideas for strengthening and extending the role of the Cabinet Office in the direction of a "Prime Minister's Department", which the Prime Minister mentioned at our meeting last week. This is a separate issue from the future of the Civil Service Department, on which I have minuted separately, though obviously both affect the future of the Cabinet Office.

2. As I understand it, the Prime Minister would like:-
 - (a) to have access to advice (other than Departmental advice) more systematically than at present;
 - (b) to have a means of making sure that strategic considerations are taken into Departmental thinking sooner and more certainly than at present;
 - (c) to make sure that important questions of policy arrive before Ministers, whether in Cabinet and Cabinet Committees or in correspondence, properly and fully analysed and argued.

The Prime Minister said she wanted to achieve this without any significant increase in the staff of the Cabinet Office.

3. The two main questions are thus:-
 - (i) How to achieve the changes in the conduct of business which the Prime Minister wants most effectively and economically by extending the scope and operations of the Cabinet Office but not significantly increasing its numbers.
 - (ii) Whether it would or would not assist the Prime Minister's aims if the Cabinet Office thus strengthened were renamed the "Prime Minister's Department".

How to Achieve the Changes

4. I believe that we can achieve the objectives quickly and without greatly increasing our staff by the measures which I recommend in this minute. They would avoid the universal "second-guessing" which seems to bedevil and certainly to inflate the Canberra model. They would, partly through that

PERSONAL AND CONFIDENTIAL

avoidance, concentrate on the things that really need pulling together at the centre. And they would not prevent us from taking further steps later on, if the Prime Minister so wished and the resources were available.

5. In our tradition the role of the Cabinet Office has two attributes which are relevant to this discussion:-

- (i) On matters of collective machinery and procedure, we serve the Cabinet collectively, though everyone understands that we have a special relationship with the Prime Minister. In our relations with other Departments we are concerned primarily with handling and procedures - with what issues are coming up for Ministerial decision, where they should be dealt with, and when they will need to be considered.
- (ii) As to issues of policy, our concern with substance comes mainly in briefing the Prime Minister (or other Committee chairmen) and then mainly in relation to how the meeting should be handled. We normally get involved in the substance of official interdepartmental discussions only when specifically so invited to act by Cabinet or a Cabinet Committee. We tend therefore to come in at a late stage in the process of governmental discussion.

6. It is important to the acceptability of the Cabinet Office in Whitehall, both at Ministerial and at official level (and hence to its access to Whitehall's information) to preserve the first attribute. That goes for the Secretariat and also, and no less strongly, for the CPRS: one of the CPRS's strengths, which has enabled it to establish itself as a useful and acceptable part of the central machinery of Government, is its independence. It is also important to our acceptability in Whitehall that any changes we make should be, and should be seen as, helpful to the collective conduct of business and formulation of policy. Departments will need to be convinced that changes aimed at improving the ability to come to correct collective decisions will not lead to duplication of effort on aspects which should properly be their affair. Rather than "second-guess" Departments, there is a need to exert a variety of pressures to ensure

i.e. it is not concerned with getting strategy in any way!

PERSONAL AND CONFIDENTIAL

competence and efficiency. The present proposals will (amongst other things) provide some of those pressures.

7. As to the second of the traditional attributes set out in paragraph 5, in some parts of the office we have already departed quite a long way from it in recent years, in ways which suggest that there is room for us to become more deeply involved in substance without calling the first attribute in question. The existence and work of the Central Policy Review Staff and our strong co-ordinating role with regard to European and Overseas Affairs show that the Cabinet Office can effectively and acceptably operate as more than a mere procedural mechanism without a mind of its own. Those developments provide a good foundation in custom and acceptance for the changes which I now recommend.

8. The changes are designed to do two things:-

(i) To enable the Cabinet Office (including the CPRS) to know at an earlier stage than at present not only what issues and problems are likely to come up but also the nature of the decisions likely to be required and the facts and considerations relevant to them.

(ii) To give the Cabinet Office (including the CPRS) the opportunity and the backing for intervening in discussions of selected issues and problems before they reach Ministerial (and particularly Prime Ministerial) level, with a view to:-

- (a) making suggestions on how discussions (particularly at Ministerial level) should be handled;
- (b) identifying deficiencies in analysis or presentation, and making proposals for remedying them;
- (c) making special arrangements for preparing an issue for Ministerial consideration (e. g. by commissioning a study by the CPRS, or arranging a task force under CPRS leadership), where it is clear that the ordinary processes of Departmental consideration and inter-departmental discussion are unlikely to be able to deal adequately and comprehensively with the issue.

*No. 10
Give me through the
a group at No 10
chance to see that the
general strategy is kept
purpose and for that
individuals*

PERSONAL AND CONFIDENTIAL

9. Our existing arrangements do not produce all the information we shall need at as early a stage as we shall need it. In former times the Cabinet Office derived a good deal of its information, and was to some extent able to contribute to policy formulation and presentation, by virtue of its providing the secretariat for Official Committees. Since 1979 the number of Official Committees has been considerably reduced, and this source of information and influence is less strong than it was. If we are to achieve the present objectives, one of the things we need to do is to make that loss good, without going to the lengths of establishing otherwise unnecessary official committees in order to do so.

10. Accordingly I recommend as follows:-

- (a) We should arrange for the Cabinet Office to be made aware of major items of economic (including scientific and industrial) business and of home affairs business likely to be submitted to Cabinet and Cabinet Committees or to be discussed in Ministerial correspondence involving the Prime Minister. In particular, we should expand the arrangements for the Forward Look which we already do in respect of business due to come to Cabinet and Cabinet Committees, so that the information also covers major items of business likely to involve the Prime Minister which are expected to be dealt with by correspondence or ad hoc discussion rather than in Cabinet Committees. We should also encourage Departments to copy correspondence on such matters to us when they copy it to the Treasury (or to other Departments with a major interest, if the Treasury are not involved).
- (b) The Cabinet Office would not - could not - involve itself closely in every issue of which it was made aware; it would do so selectively, consulting the Prime Minister as appropriate, with a view to the objectives set out in paragraph 8(ii) above, and with the general purpose of ensuring that all aspects of the business under consideration had been properly thought out, and that the proposals were fully considered and presented to Ministers in relation to the Government's strategy.



PERSONAL AND CONFIDENTIAL

(c) As longstops, we should need the Prime Minister's authority to ensure - if necessary by delaying the circulation of papers - that submissions on policy were in a fit state for Ministerial consideration, and that proposals had been fully considered and were presented accordingly; and we should ask the Prime Minister to make it clear to her colleagues that, if she was not content that submissions on policy which came to her direct had considered all the issues, she would call on the Cabinet Office to arrange for them to be reconsidered so as to remedy the deficiencies better.

11. These changes should enable us to make a positive contribution to better decision-making in Government. They should also make us better informed and equipped to advise the Prime Minister on the substance, as well as the handling, of policy issues. We should, however, need to make sure that our working relationships with 10 Downing Street reflected the change. It would need to become a matter of routine for the Private Secretaries at 10 Downing Street to ascertain, before putting a Departmental submission into the Prime Minister, whether it was one on which the Cabinet Office wished to give her advice. For our part, we should need to give you advance notice of issues likely to come to the Prime Minister on which we were likely to want to give her advice, or on which we might wish to seek a preliminary expression of her views.

12. These changes would not give us a Prime Minister's Department, in the sense of a Department committed exclusively to the Prime Minister and marking (and "second-guessing") Departments over the whole range of Government business. It would not be the objective of these changes to prevent or discourage Departmental proposals from reaching the Prime Minister, and there would certainly continue to be occasions when proposals would reach her with which she did not agree. We should however achieve a greater degree of articulation of 10 Downing Street to the Government machine as a whole. The objective would be to ensure so far as possible that proposals reached her (and other Ministers) properly worked out, that all the relevant considerations, including the strategic considerations to which the Prime Minister was known by the Cabinet Office to attach importance and which a Department might have

PERSONAL AND CONFIDENTIAL

overlooked, had been taken into account before proposals reached Ministers, and that there would be fewer occasions when the Prime Minister felt that proposals were insufficiently thought through and must be sent back for further consideration before they came to her and her colleagues for decision.

No 1/

13. These changes could be achieved mostly by simple clarification and strengthening of certain working relationships - between the Secretariat at No. 10 ~~and the Cabinet Office~~, between the Cabinet Office and the Treasury, and, within the Cabinet Office itself, between the Secretariat and the CPRS. The people in the various Secretariats of the Cabinet Office, and especially those in the Economic Secretariat, would also need to spend more of their time working with other Departments, in order to know what business to select for Cabinet Office involvement ^{and} to have enough understanding of the business coming up to be able to make a constructive analysis of it.

No 2

14. I should need some reinforcement of the Economic Secretariat, amounting probably to one Under-Secretary and one or two Assistant Secretaries, both because there would be a bigger job of work to do, and because there would be more meetings to attend and people cannot be in two places at once. But I would hope that, by the time the CSD had been incorporated into the Treasury and the Cabinet Office, we should finish up no worse than all square within the resources of the existing central Departments taken together. The changes in view for the CSD cast doubt on three senior posts (Deputy, Under and Assistant Secretary), while Sir Derek Rayner's unit will contract slightly later this year on the departure of his Economic Adviser.

15. I should also want to recommend to the Prime Minister that, when we replace Mr. Franklin, we should do so with a Second Permanent Secretary, whose main duty would be to take charge of the European Secretariat (so that the Deputy Secretary post at present filled by Mr. Franklin would lapse) but who would also be able to act as and when necessary as a Deputy for the Secretary of the Cabinet across those sections of the office not already headed at this level (by Sir John Boreham and Mr. Ibbs). With the efficiency post to be filled by Mr. Cassels, this would mean that we should have five Permanent Secretary posts in the Cabinet Office, as opposed to three at present; but the cost of this would be more than offset on the abolition, with the CSD, of its Permanent and Second Permanent Secretary posts.

PERSONAL AND CONFIDENTIAL

16. I should also need - for sheer self-preservation - to make changes in some of the existing working practices of the Cabinet Office, so far as they affect me. In particular, I hope that the Prime Minister would agree to accept some Cabinet Committee briefs direct from the Deputy Secretaries here, rather than from me. I would ask that they should be prepared and sent forward in time for me to comment to the Prime Minister on them separately, before the meeting to which they related, if I found that necessary.

17. We should need to consider the position of the Policy Unit of No. 10. I should like to discuss this with the Prime Minister, but I incline to the view that the Policy Unit should stay in No. 10. I think that it needs complete freedom to report "politically" to the Prime Minister, in a way which civil servants in the Cabinet Office (or a Prime Minister's Department) cannot do. But there might be a case for the Economic Secretariat taking on, as part of the increase in staff likely to be needed, the Assistant Secretaries now in the Policy Unit. And it could well be useful for there to be a ^{closer} liaison between the Cabinet Office and the Policy Unit: for example I assume that they see the advice which the Prime Minister gets from the Cabinet Office, and it might help if we regularly saw copies of the advice which they give her - obviously on the basis of an extremely restricted distribution here.

Should the Enlarged Cabinet Office be called the "Prime Minister's Department"?

18. The new role of the Cabinet Office would have to be made clear in Whitehall. How much would it help - or hinder - the Prime Minister's aims if the strengthened Cabinet Office were renamed the "Prime Minister's Department"?

19. Attaching so striking a name to the old Cabinet Office would be a clear signal of the Prime Minister's personal interest in the despatch of business at Cabinet level, and her determination to ensure both that the Government machine was efficient and that it served the Government's strategy. It would also make it plain that some of the necessary instruments were now unambiguously in her own hands. It would certainly attract a lot of comment in Parliament, the Press, Whitehall and elsewhere, and stimulate expectations as to both style and achievement.

PERSONAL AND CONFIDENTIAL

20. But we do not need the change of title to achieve the objectives that we seek; and I believe that a change of title would actually militate against the effectiveness of what is proposed, for these reasons:-

- (i) the overt establishment of a "Prime Minister's Department" would still, I believe, arouse very considerable concern and opposition among other Ministers. If that is right, it is, of course, for the Prime Minister to judge whether the risks are worth running;
- (ii) as far as Departments are concerned, I know that the change would create fear, concern and opposition in Whitehall. As things are at present, the Cabinet Office is seen as a Department serving the Cabinet collectively (though everybody knows that we have a special relationship with the Prime Minister), and is regarded as on the whole a helpful institution rather than one to be feared and circumvented or even opposed. We depend on the present state of affairs for Departments' readiness to supply us with information, and to second to us their flyers. We should risk changing that readiness to co-operate, to our great disadvantage, and would thus risk frustrating the main objectives of the exercise, if we became a "Prime Minister's Department" suspected of an intention to second-guess Departments across the board. And we could be driven towards a substantial increase in staff numbers in order to make good by other means the resulting deficiencies in our information.

21. I believe therefore that the objectives will be easier to achieve without the change of title, and I recommend accordingly.

Giving Effect and Announcement

22. The decision on the CSD will of course have to be announced. The changes proposed in this minute would not need to be publicly announced; but they would need to be promulgated within the Government, I suggest by means of a minute from the Prime Minister to her colleagues, a draft of which I would,

PERSONAL AND CONFIDENTIAL

of course, prepare for her. I think we should aim to bring them into effect by the end of this year. They would be almost bound to become known to "Whitehall watchers" like Peter Hennessy, Richard Norton-Taylor, Mark Schreiber and Lord Crowther-Hunt: we should need to give thought to how best to counter the possibilities of misrepresentation.

CONCLUSION

23. I have discussed these matters with Mr. Ibbs and Mr. Gregson, who support the aims and agree with this minute. I have also discussed them with Lord Hunt. He too agrees with what is proposed in this minute. He and I both think that things have been progressing gradually towards a "Prime Minister's Department" for some time, that the process is probably inevitable in today's circumstances and also right, so far as we can now see; that the time has come to take the process a stage further; and that such a Department may well come some time. But we also agree that it would put the Prime Minister's aims at risk to go straight for the title "Prime Minister's Department" now.

24. I am sending a copy of this minute to Sir Derek Rayner. I have not been able to discuss it with him, but I have discussed it with Mr. Priestley, for whose help I am grateful and who believes that the minute is in line with Sir Derek's own thinking.

Robert Armstrong

Prime Minister.

17th September 1981

I doubt whether this goes as far as you have in mind.

You are not going to have time to discuss this again with Sir Robert Armstrong before we leave for the Gulf in December, but it is something we could talk about on the way or in Melbourne. Would you like to do that?

RA

SUBJECT copied
to master
+ back subject

CONFIDENTIAL

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE CHANCELLOR
OF THE EXCHEQUER ON WEDNESDAY 16 SEPTEMBER
AT 1715 HOURS

The following are the main points that came up at the Prime Minister's meeting with the Chancellor yesterday afternoon.

(i) CSD

The Prime Minister told the Chancellor of her preliminary ideas on the future of the CSD. She now had it in mind to move their manpower and pay functions to the Treasury and to locate their efficiency functions in an expanded section in the Cabinet Office under Mr. Cassels. She wanted to discuss all this further with the Chancellor and with Sir Robert Armstrong and Sir Douglas Wass at the meeting that had been arranged for Friday afternoon. The Chancellor made one point: if manpower and pay functions were to be transferred to the Treasury, he would need to have an extra Treasury Minister. All five Treasury Ministers were at present fully occupied. The Prime Minister said that she would bear this in mind.

(ii) EMS

The Chancellor said that he hoped to let the Prime Minister have a paper on the EMS before the weekend. He did not wish to rush into a decision: at present he still thought the economic arguments were marginally against our joining, but he recognised the political arguments in favour. At the same time, there were also important political arguments against which had to be fully considered - it could well be unpopular domestically, and it would provide the trade unions with another stick with which to beat the Government. The Prime Minister said that she too did not wish to be rushed into a decision; she would want to be convinced that there were positive arguments in favour of our joining, rather than that there were no longer sufficiently strong arguments against ^{our} ~~for us to~~ continue ^{it} ~~staying~~ out. She also recalled that Mr. Nott was a strong opponent of our joining; she would want him to be involved in any preliminary discussion of the issue. It was provisionally agreed that there should be a

/ meeting

CONFIDENTIAL

CONFIDENTIAL

- 2 -

meeting sometime in October to consider the Chancellor's paper - the meeting should include Lord Carrington, Mr. Nott and probably Mr. Lawson.

(iii) Merseyside

The Prime Minister said she had been thinking again about the idea of sending individual Ministers to the North East and the West Midlands as well as to Merseyside. She was coming round to the view that other regions would think it very unfair if only Merseyside was given a Minister. The Chancellor repeated the arguments that had been made at the meeting of the small group of Ministers that considered Mr. Heseltine's paper against allocating Ministers to other regions. It was left that no new action should be taken for the time being.

(iv) Defence Cash Limits

The Chancellor explained that MOD were heading for an over-run of £300m - £400m, and that Mr. Nott was asking for an increase in the cash limit of about this amount. He was trying to get further explanation for the reasons for the over-run, and he hoped to be able to resolve the issue without troubling the Prime Minister further. But he thought the Prime Minister ought to be aware of what was happening. The Prime Minister said she was most unhappy to hear that, for the third year running, MOD were heading for a substantial over-run; she hoped that the Arthur Andersen report would lead to improvements in MOD's accounting practices which would reduce the risk of over-spend in future years.

(v) Public Expenditure Decisions in October

The Chancellor said that he had been thinking of getting together a group of senior Ministers to try to persuade individual spending Ministers of the need for cuts in their budgets. However, in the light of the Cabinet reshuffle, he had now concluded that it would be better for Treasury Ministers to tackle them themselves.

/ (vi) Cancun

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- 3 -

(vi) Cancun

No decision was taken on whether the Chancellor should attend Cancun. The Chancellor said that he would try to persuade Secretary Regan not to go. If Regan did not go, then he would not either.

R

17 September 1981

CONFIDENTIAL

From: Ministers.

Ref. A05495

MR WHITMORE

*Can we talk
R.A. Lord that
Douglas Vass
Ch. M. C. int.
next week to talk him of your
decision in principle?
After that you might like a
further work with Sir Derek Rayner
on Sir Derek Rayner's by
then you should have Sir R. Armstrong's secret
note.*

The Central Departments

I have been thinking hard about the matters which Sir Derek Rayner and I discussed with the Prime Minister on 7 September, at the meeting recorded in your note of 8 September.

2. There are two logically separate issues, which now come together. They are the future of the Civil Service Department; and the question of a Prime Minister's Department. This minute deals with the first matter.

3. The Prime Minister has decided to proceed with Option 2B.

4. The first question is how to present this decision, less than a year after the Government issued a White Paper confirming that "the right course at the present time is to strengthen and improve the existing organisation rather than to change the machinery of Government", and that "the Civil Service Department is an essential instrument" for the purposes of "the good management of central administration and the achievement of a smaller and more efficient Civil Service".

5. I think that the basis of the presentation would have to be on the following lines. The Government continues to regard the good management of central administration and the achievement of a smaller and more efficient Civil Service as objectives of top priority, and as matters which should continue to be under the direct responsibility and supervision of the Prime Minister. But experience has increasingly shown the disadvantages of divorcing the management and control of expenditure on manpower resources in central government from the management and control of the Government's expenditure as a whole, of which it constitutes a significant part. Accordingly Ministerial responsibility for the control of this part of public expenditure is to be consolidated in the Treasury, under the Chief Secretary, who will add to his other functions Civil Service numbers, administrative expenditure, and pay. The management and personnel managements of the CSD will be brought into the Cabinet Office; this new section of the Cabinet Office, which will be headed by Mr J S Cassels under the general supervision of the Secretary of the Cabinet, will incorporate the unit which has been

*This isn't
Andi's right
The Rayner unit
has reported directly
to me. We are expanding
that unit to include the
efficiency in general of the
C.S.*

supporting Sir Derek Rayner. Sir Derek will continue to advise the Prime Minister and her colleagues on efficiency matters. This new section of the Cabinet Office working in collaboration with the Treasury and other Departments, will assist the Prime Minister ~~and Cabinet~~ in promoting the greater efficiency and effectiveness of the Government service by ~~development and audit work~~. The Secretary of the Cabinet will undertake the duties, hitherto attached to the Permanent Secretary, Civil Service Department, as Head of the Civil Service, of leading the continuous reform of the Government service and advising the Prime Minister on senior appointments and on honours. Consideration will be given to the best way of organising the central services, eg recruitment, for which the Civil Service Department is at present responsible.

✓
 Could we
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 discuss this

6. The next issue is the process for putting it into effect.

7. The Prime Minister said that she wanted the change made within six months. Detailed planning will need to be undertaken by the Establishment Officers of the Treasury, the CSD and the Cabinet Office, although the basis was laid in the work which was done last year on a merger of the Treasury and the CSD, which will probably prove very useful in this context. The decision will need to be made public before the planning can be put in hand. If this is to be got on with, we should think in terms of an announcement before the Prime Minister leaves for Melbourne. Failing that, we should think in terms of an announcement as soon as she returns.

8. Before an announcement can be made, the following moves have to be made:

- (1) ✓ RTA to talk to Sir Douglas Wass as agreed (in hand for Friday 11 September).
- (2) ✓ The Prime Minister to talk to the Chancellor of the Exchequer (early next week?).
- (3) ✓ The Prime Minister to inform the Lord President (as soon as she has cleared her lines with the Chancellor).
- (4) ✓ The Prime Minister to inform Sir Ian Bancroft, and he Sir John Herbecq.
- (5) ✓ The Chancellor to tell the Chief Secretary, and the Lord President to tell Mr Hayhoe.

(6) The Prime Minister to inform the Cabinet (can we get to this point by 24 September?).

Don't get

(7) The Prime Minister to inform Mr Du Cann, Chairman of the Select Committee on the Treasury and the Civil Service.

(8) The Council of Civil Service Unions to be informed.

(9) Public announcement, and office notices in the Treasury, CSD and Cabinet Office.

9. The first few stages of this process may be able to be kept secret. Once we get beyond that point, risks of a leak will multiply, and we should be ready to move fast. If we cannot make an announcement before the Prime Minister leaves for Melbourne, we should go no further than stage (4) until she is back.

10. During this phase - between now and an announcement - there are some important issues to resolve:

(1) When is the change to take effect?

The Prime Minister talked of six months. I think that the change should take effect in a Parliamentary Recess. The choice is between the Christmas Recess - for the sake of argument, 11 January - and the Easter Recess - say, 15 April. I would guess that we could complete the detailed work in time for January if we had announced a decision by 25 September; if it has to wait until after Melbourne and the Party Conference, that would probably make it difficult to make the change until April. From the Treasury's point of view, I doubt whether there is much to choose; they might prefer to get this year's public expenditure cycle completed before making the change, and that would point to an April date. With an April date the 1982 Civil Service pay negotiations would be at least started by the CSD. A minor incidental advantage of the April date is that it would be only a month or so before Sir John Herbecq's natural retirement date (28 May). But perhaps the most important consideration is that, once an announcement has been made, the CSD will be a lame duck; this argues for making the period between announcement and giving effect as short as possible, for making the change in the Christmas Recess, and for making the announcement on 24 September.

Too involved with budget.

- (2) What changes in the disposition of Ministers are entailed?

If the Treasury takes on manpower and pay, does the Chancellor need another Minister of State, or can the present team manage? *Yes*

Do we need a Minister of State, Cabinet Office, to supervise the day-to-day business of the management work taken on by the Cabinet Office?

Possibly
I doubt whether there is anything like a full-time job there; but the Prime Minister will hardly want herself to take on all the smaller business and the PQs. Perhaps one solution would be to make the present Minister of State, Civil Service Department, into a Minister of State, Treasury, but to make it clear that he would be available to support the Prime Minister and answer questions on the management work of the Cabinet Office.

- (3) Should the Prime Minister continue to be Minister for the Civil Service?

I shall need to take legal advice on this, and on the formalities required to give effect to the change, as soon as I am free to do so; but in terms of policy and presentation I think that the Prime Minister should continue to be designated as Minister for the Civil Service.

- (4) The position of Sir Ian Bancroft and Sir John Herbecq?

I should prefer to discuss this with the Prime Minister orally. It suffices to say here that, if it was necessary, Sir Ian Bancroft could be invited to continue to run either the bit of the CSD that goes to the Treasury or the bit of it that goes to the Cabinet Office until his retirement in December 1982. It would not be ideal, but it would be manageable, and either Sir Douglas Wass or I would be absolutely ready to make it work, if necessary.

- (5) What should happen to the "Head of the Civil Service"?

✓ The functions peculiar to that post - senior appointments and honours - should come to the Secretary of the Cabinet. I should myself be content to see the title disappear: it has outlived the purposes for which it was created, and is I believe now unnecessary, in a sense unreal, and perhaps even deceptive. But, unless the Prime Minister is content to leave it open, on the basis that the Secretary of the Cabinet will be asked

"discharge the functions of the Head of the Civil Service", the Prime Minister should seek other advice as well as mine, because others would have a different view.

11. A note on the other issue - the matter of a "Prime Minister's Department" will follow after the weekend.

RA

ROBERT ARMSTRONG

11 September 1981

I have now discussed this with Sir Douglas Wass.

He will recommend the Chancellor not to resist his proposal.

He thinks that, if 'twere done, 'twere well 'twere done quickly, and that we should aim to make the change in the Christmas Recess. He believes that, given the detailed planning done by the Hawtin-Moore team last year, it should be possible to plan and accomplish what is proposed in that time scale.

Contrary to my expectation, he would go along with dropping the title "Head of the Civil Service".

SUBJECT
cc Mather



File A14
cc Sir Rayner

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

BF

SIR ROBERT ARMSTRONG

THE CENTRAL DEPARTMENTS

The Prime Minister saw you and Sir Derek Rayner yesterday evening to resume, on the basis of Sir Derek Rayner's minute of 29 June 1981, her discussion with you both about the future of the central departments.

She said that she felt that she did not have the same access to advice or ability to inject her own views as did a Minister in a department. This deficiency had most recently been exemplified by the meeting she had held the previous week on the gas gathering pipeline project when the issues had been put to her in a wholly ill-prepared way and without all the information she needed to have before being able to reach decisions. She thought that these weaknesses in the organisational and procedural arrangements for supporting her could be overcome by the establishment of a Prime Minister's Department. Historically the organisation of the central departments had been moving slowly in this direction for some years, and she now wanted to take the process further. This would probably require the amalgamation of the Cabinet Office, the CPRS, the No 10 policy unit, part of the Civil Service Department and Sir Derek Rayner's unit. A department developed by bringing together these various elements should be well able to act as the guardian of the Government's strategy, a role which she saw as the primary function of a Prime Minister's Department.

The Prime Minister continued that this meant of the options set out in paragraph three of Sir Derek Rayner's minute of 29 June she had chosen 2B. This involved the abolition of the CSD and the transfer of that department's present responsibilities for pay and manpower to the Treasury, with its responsibilities for efficiency going to the Cabinet Office. It would be important that in building on the Cabinet Office to create a Prime Minister's Department total staff numbers were not increased. Now that she had taken the decision in principle to move in this direction the next step was to draw up a plan of the measures that would be needed to give effect to her decision. She would like the plan implemented in six months' time.

AA

Sir Derek Rayner said that he agreed that the first of the options he had listed in his minute - to keep the CSD as it was but with changes in the top management - was not the right course organisationally to give the Prime Minister the central management controls she was seeking. He believed that she could get what she wanted by expanding the Cabinet Office a little and adding to it those parts of the CSD which were concerned with efficiency. He saw no difficulty about drawing up a plan of action to give effect to her decision, although his advice was that secondary questions such as the future of the Civil Service Catering Organisation for which the CSD was now responsible should be left on one side initially and dealt with later.

You said that apart from transferring to the Cabinet Office responsibility for efficiency (which you envisaged placing under Mr Cassels), most of the expansion of the Cabinet Office which the Prime Minister sought would be on the economic side of the secretariat. You thought that the secretariat could be strengthened in this way largely by drawing upon the CPRS. Whether to draw in the No 10 policy unit at the same time would need careful examination. If these changes were made, you believed that it would be possible so to improve our arrangements for handling Ministerial business that the Prime Minister received the service she was seeking. We should, however, need to consider very carefully whether the new organisation was called the Prime Minister's Department. To do so might give rise to suspicions and resentments about what people thought were the Prime Minister's intentions, and this could make it more difficult, not less, to achieve the Prime Minister's objectives. You believed that she could strengthen her support in the way she wished without necessarily calling the expanded Cabinet Office the Prime Minister's Department.

You added that the CSD's responsibilities to be transferred to the Treasury would need to be brigaded with the public expenditure side of that department. This development would fit in with the plans which Sir Douglas Wass already had for adjusting responsibilities at Second Permanent Secretary level.

b/f → | You said that, in conjunction with Sir Derek Rayner, you would now draw up and submit to the Prime Minister as quickly as possible a plan to give effect to her decision to go for option 2B and to strengthen the secretariat of the Cabinet Office. The first step would be for you and Sir Derek Rayner to see Sir Douglas Wass. Thereafter the Prime Minister would need to consult the Chancellor of the Exchequer and, at a later point, the Lord President. There were other factors which the plan would have to cover such as the future of certain individuals and how to handle those of the CSD's responsibilities which fell outside the pay, manpower and efficiency fields.

The Prime Minister said that she would be grateful if you and Sir Derek Rayner would proceed as you proposed.

I am sending a copy of this minute to Sir Derek Rayner.

8 September 1981

J.W.



10 DOWNING STREET

Prime Minister,

This is Ken Basall's
lecture on a Prime Minister's
department which you wanted
to see again.

AKL

4ix

Clife (A. Mrs. Gix
The PM has seen
this in a meeting
folder. Do you think
she would like
a further look or
content to PA?

Chanelle

9/9

Mr Patten.

Just about a year ago I settled back in a seat down there in the audience to listen to the 1979 Stamp Memorial Lecture given by Professor Dorothy Wedderburn on her work with the Diamond Commission on the Distribution of Income and Wealth. It was a distinguished occasion - informative, stimulating and scholarly, with that attention to statistical fact and inference which Stamp himself would have admired.

Had I that evening been casting my mind forward to this year's Stamp Lecture I might have imagined myself once again listening to it and enjoying it but not for one moment would I have imagined myself in the much less relaxing role of lecturer. For what have I to say that could possibly measure up to the standards of the past? So when I received the invitation I should, on any rational grounds, have said "No". But wholly unexpected honours induce temporary euphoria. So I said "Yes" in haste and repented at leisure.

At leisure I wondered just what the powers that be had in mind when they agreed to my name. Was I being asked as an ex-Chairman of the University Grants Committee to speak on some current issue in higher education? Perhaps so; but for many in this audience listening to a discourse on such a subject would be far too much like work and I think you deserve to be spared that. So, rightly or wrongly, I chose to speak not on a subject drawn from my 25 years in higher education, but on something drawn from my last 7 years experience in Whitehall. I chose "Strength at the centre - the case for a Prime Minister's Department" partly because it is an issue of some importance and interest and partly because, in contrast to some other countries, here in the U.K. the subject has excited comparatively little public interest or debate. In this respect perhaps the greatest contrast is with the United States where the Presidential form of government means that the Head of Government has many direct and legal responsibilities placed on his shoulders which in our system are born by individual Cabinet Ministers. It is not surprising, therefore, that the past 40 years should have seen study after study on the theme "what help does the President need and how should it best be organised". The work load on the President can only be described as awesome and the support system almost equally so, for in the White House and the Executive Office of the President we are talking of a cast of literally thousands all working to support the President in his executive role; including men of great power as Presidential aides able to transmit what they interpret as the President's wishes to the departments and bureaux.

But before I turn to the support system let me first speak about the role of Prime Minister in Britain today. This has been well enough analysed by others. A Prime Minister has immense powers of patronage. The power both to form an administration and to decide when to end it. The power to appoint Ministers and the power to drop some of them in what is euphemistically called a re-shuffle.

Parallel to these powers of appointment are the powers to decide the machinery of government - the organisation and reorganisation of ministries and particularly the organisation of the business of Cabinet and Cabinet Committees. As is now well known, the weekly meeting of Cabinet concentrates on foreign affairs, forthcoming business in Parliament and major issues such as a public expenditure review. The bulk of discussion and decision in all areas is necessarily delegated to Cabinet Committees. The Prime Minister decides the membership of those Committees and who should be Chairman of those Committees not chaired by the Prime Minister.

As we all know, to be Chairman of any Committee can be a position of great strength. The Prime Minister (or the Senior Minister appointed as Chairman of the Cabinet Committee) determines the agenda and the distribution of papers. A Cabinet Minister can always decide that he would like to bring a matter before his colleagues and if it involved legislation would always do so. But the Prime Minister (or chairman) can always insist that he does so and ask for the necessary papers to be circulated - perhaps after inter-departmental consultation. Clearly it is important for the Chairman to have a good idea of all the issues which are stirring in the area covered by the Committee and one task of a support system is to constitute eyes and ears in this respect.

As well as deciding on the agenda and seeing that the necessary papers are circulated, the Prime Minister (or chairman) controls the order of speakers, decides if further work is called for and how it should best be undertaken, and finally, sums up the "concensus" of the meeting on the basis of the discussion. That "summing up of the concensus" is vital for it appears in the minutes circulated next day throughout Whitehall and forms the operating instructions for implementation of the decisions.

In addition to the formal business of Cabinet and Cabinet Committees there is a large volume of inter-ministerial correspondence on important issues, the great bulk of which is seen by the Prime Minister, who can intervene with a

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query, express an opinion or pull the matter more closely into the No. 10 orbit by calling in the Minister for a talk, setting up a Working Group or whatever. The system of Cabinet, Cabinet Committee and inter-ministerial correspondence means that there are few issues being argued between Ministers of which the Prime Minister is not au courant and on which therefore the Staff at No. 10 and the Cabinet Office may be asked to give advice.

The power of a Prime Minister to intervene in any field at any time is clear enough (and Prime Ministerial intervention is a significant force indeed). The more interesting question is why they should feel the need to do so? There are a number of reasons and taken together they seem to me both to explain the increase in the role of the Head of Government in most industrial democracies and to suggest that this increase will continue inexorably.

The first and perhaps the most powerful reason for Prime Ministerial intervention can be expressed in the form "The Centre is the guardian of the strategy and the Prime Minister is the mainstay of the centre." In opposition Shadow Cabinets can spend a considerable amount of time working out their strategy for putting the country to rights when they get back to power. Each member of the Shadow Cabinet has a Department he is shadowing but since he is not actually in charge its problems do not pre-occupy his mind. Inevitably things are different when the Shadow Cabinet becomes the real Cabinet and each member moves into his Department, for the basis of the Departmental system is that each "fights its own corner". The regional departments (Scotland, Wales, Northern Ireland) fight for the interests of their areas. Defence, Industry, Transport, Education, Health, etc. do the same. Their job is to fight for their own programmes, their own public expenditure, their own share of the legislative timetable. Inevitably they come to see the world and any proposed action in terms of the possible effect on their particular interests and objectives. So much so that after a year or two's experience at the centre one can predict with a high degree of certainty each Department's arguments and views on any topic on the agenda.

It is also a well observed fact that the longer Ministers have held a particular portfolio the more likely they are to see the country's problems increasingly through the eyes of their Department and less in terms of the strategy of the Government as a whole. Of course this is never universally

true, but it would be strange if it were not usually so, given the very long hours they spend immersed in the detail of their Department's affairs and the continual batterings they get on those affairs in the media, in Parliament and from the ever more professionally organised pressure groups.

But the sum of spending Departments' interests can be a long way from adding up to a coherent strategy and no one is more aware of this than a Prime Minister. A Prime Minister knows only too well that the Government will be judged at the next election more on its overall performance than on its success or failure in particular departmental areas. Prime Ministers know too that time is not on their side. In the 35 years since the end of World War II we have had 9 different Prime Ministers - an average period in office of around 4 years each. The longest anyone has achieved was Sir Harold Wilson with 8 years and that was split into two separate periods. So a Prime Minister has to think in terms of a 4 year time horizon in which the Government strategy has to be seen to be working sufficiently well to achieve re-election. Hence the importance of sufficient "strength at the centre" to hold the balance in any decision between the requirements of the strategy and the crosspulls of the interests of the different spending departments.

It is, of course, not just the Prime Minister who has the task of trying to maintain this balance. The 'centre' is the 'troika' of the Prime Minister, the Chancellor of the Exchequer and his Ministerial team and the Foreign Secretary and his team. The cohesion of this troika is crucial yet even these three elements do not always pull naturally in quite the same direction, for the Treasury and the F.C.O. too have their Departmental pre-occupations. The Treasury is liable to approach every decision concerned mainly with the effect on the balance of the domestic economy and the F.C.O. pre-occupied mainly with the effects on our relations with other countries. The troika may, at any time, have the support of certain spending ministers who continue to put adherence to the strategy over departmental considerations. But in general terms the troika is the centre and the centre has to hold.

It was Richard Crossman who said that "perhaps the biggest task of a Prime Minister is to stop the fragmentation of the Cabinet into a mere collection of Departmental Heads." It is this task of preserving the balance between strategy and departmental interests which provides the first, crucial reason for the width of involvement of a Prime Minister across the business of Government.

The second reason for widespread Prime Ministerial concern and involvement is less basic but is a powerful influence nonetheless. It is the tendency of the media and the public to hold the Government responsible for virtually any problem that arises in both the public and the private sectors and to identify the Government's reaction to the problem with the persona of the Prime Minister. Internationally as well as domestically Governments are expected to have a view, a policy, a programme of action for virtually everything. The policies have to be both positive and 'caring'. Statements along the lines of "there's little we can do about it" or "yes, it is unfortunate and unfair but a lot of life consists of rather rough justice" are not popular.

This wide public expectation of the role of government is allied to the increased personalisation of Government which I believe stems mainly from Television. The Television camera peering oh so closely at every flickering emotion across a politician's face gives the public the belief that they know him as a person, can judge his character and how he will act. In a Presidential system the powers of the Head of Government are so immense that this approach to voting may have more merit. It is obviously less so in a Prime Ministerial system and more weight is indeed given by the public to the persona of Cabinet Ministers. But at bottom the media and the public think and talk of Mrs. Thatcher's government or Mr. Callaghan's. They lay the ultimate responsibility for virtually every act or omission by the Government at the door of the Prime Minister who must expect to be attacked on any of them and be ready to answer in any interview. Small wonder then that a Prime Minister should feel the need to try to keep an eye on everything and be tempted into fire-fighting intervention on issues which look like causing political difficulties.

The first two reasons for very wide Prime Ministerial involvement are then (1) the need for the centre to keep the balance on every decision between departmental objectives and strategic objectives and (2) the need to be ready to answer to the media for virtually every government action. The third reason, and in recent years it has become one of ever increasing weight, is the growth in personal contact between Heads of Government, to such an extent that we expect to read daily in our newspapers of personal visits by one Head of Government to another.

These contacts take place at formal "summits" in a variety of different fora

(EEC, Commonwealth, major O.E.C.D. countries, etc.); by bilateral visits, and through unpublicised messages and telephone conversations. To take the EEC: we are all very much aware that the founding fathers greatly underestimated the part that would be played in the operation of the Community by the various Councils of Ministers (Agriculture, Energy, Finance, etc.). We are all aware too that very major issues, such as the U.K. contribution to the EEC Budget have to be hammered out by Heads of Government personally often through a complex package of measures involving many Departments of State. Preparation for these summit meetings, be they bilateral or multi-lateral, has therefore to be over a wide canvas. For even if there is a previously agreed agenda this is usually wide enough in all conscience. But there may well be non-agenda items which we on our side would like to raise if the occasion is ripe and we have to be prepared for anything the other side may raise. These issues may be political, military, economic or social. They may be raised in general terms or in considerable detail, particularly in bilateral discussions. A Head of Government cannot always have the relevant Cabinet Minister by his side nor leave it to him to do all the talking. The Head of Government must know the facts and have views on the objectives, the strategy and the tactics across a very wide range of issues in their international context. The importance of this preparation and briefing hardly needs stressing for if Heads of Government come to an understanding, even an informal one, that is bound to have a major influence on policy.

No matter what his priorities, in today's world it is just not open to a Head of Government to devote himself very largely to his country's domestic problems. In a country like Britain the Prime Minister is involved every week and sometimes every day in international visits and contacts, and the frequency seems continually to rise. This international involvement provides the third powerful force which is moulding the role of Head of Government towards a wider and more 'interventionist' role.

So far in this lecture I have been concerned with the role of a Prime Minister and with the forces which, as I see it, are moulding and expanding that role in most major Parliamentary democracies. That role and those forces constitute the case for what I have called "strength at the centre". The centre clearly cannot leave all industry issues to the Department of Industry, agriculture to the Ministry of Agriculture, etc. There must be some degree of parallel competence in the expenditure divisions of the Treasury and in the Foreign Office. But what of the Prime Minister? What kind of support system does a Prime Minister need and has this system developed adequately in parallel

with the degree and width of Prime Ministerial involvement?

Well, there has been little development inside the cramped confines of No. 10 Downing Street. Television has made the entrance to No. 10 the most famous front door in the country - a sharp contrast from before the First World War when Margot Asquith complained that no taxi driver could find it. No. 10 is a surprise in many respects, particularly to overseas visitors used to the much grander looking offices of other Heads of Government. The narrowness of the street, the absence of armed guards at the door, the closeness of the public to the arriving visitors. The small terraced house facing Downing Street conceals of course the much bigger house joined on behind which looks out on Horse Guards. But in administrative terms the impression from Downing Street is the correct one. The Prime Minister's staff at No. 10 remains as it always has been, very small indeed. If we want to look for changes in the support system it is through the door at the back of No. 10 into the Cabinet Office that we need to look.

Here there has indeed been organisationally almost continuous change. The creation of a European Unit to co-ordinate Whitehall's approaches to Brussels; the creation and then dissolution of a Constitution Unit to handle devolution to Scotland and Wales; the creation of a Central Policy Review Staff and then later the creation of an Advisory Council for Applied Research and Development serviced by the CPRS and the incorporation of the Cabinet Office Scientific Unit into the CPRS; the accommodation of individuals with specific remits like Lord Ryder and Sir Derek Rayner, and so on.

I realise that it is difficult for an outsider to see how the shape of the Cabinet Office may be changing for its constituent parts must seem so amorphous. For what has the large Central Statistical Office in common with the small C.P.R.S.; the assessment staff with the European Unit, the Secretariat with the Civil Contingencies Unit, etc.? And how far are each of these units a support system for the Prime Minister rather than for the Cabinet generally? Perhaps this very difficulty of identification is part of the explanation of the lack of public discussion in the United Kingdom of this support system question.

Other countries have equally been in a state of flux over the organisation of their support system for Prime Minister and Cabinet, but usually with more public discussion. In the years in which I was Head of the Central Policy Review Staff there was a stream of visitors from other capitals looking at how we in the CPRS did things.

They asked very pertinent questions, too. In what sense were we non-political? Could we really move immediately from being very close to the Prime Minister of one administration to a Head of Government from another political party? Did the Departments starve us of the vital facts? Did we have a rough time if we disagreed openly with a Senior Cabinet Minister? How far did we work on the things we were told to look at, or did we initiate work for ourselves? How much work was strategic and long term, and how much short term and tactical? How much of our product went to the Prime Minister personally and how much to Ministers collectively? How much of what we did was made public? etc.

All good questions, asked against a different political and administrative background in each capital. It was clear that many of our arrangements were just not transplantable to the other place and vice versa. Each country was working out a slightly different solution. In particular no two places brigaded the same functions into the equivalent of our No. 10 and Cabinet Office.

But one general impression remained, which was that none of the countries with a Prime Ministerial system gets to anything like the size of the White House and the Executive Office of the President: but several countries which one might reasonably compare with the United Kingdom have settled for a Prime Minister's Department and Cabinet Office complex which runs towards the 500 staff mark. In the United Kingdom our numbers are boosted by the inclusion of the Central Statistical Office but this apart almost every visitor to the CPRS I entertained commented on the small numbers we employed.

The Australian Prime Minister's Department and Cabinet Office is interesting as an example of a country where there has been a number of re-organisations and considerable public debate and where the publication of an annual report gives a fairly up to date picture of size and functions. The size is around 450 staff, organised in divisions, which cover Parliamentary affairs, External Relations, Trade and Industry, Resource and Development, Welfare, Prime Minister's correspondence and a Priorities Branch with a function somewhat akin to the CPRS. For the record the annual report has them servicing in the year 470 meetings, processing 1,424 papers and submissions and 3,046 decisions. The United Kingdom is certainly not less complex in this respect than Australia.

The task of a Prime Minister's Department and Cabinet Office needs perhaps some analysis for at first sight there is an ambiguity as to whether its task is to serve the Prime Minister or the Cabinet as a whole. There is indeed such

an ambiguity for the same officials may be performing one function in the morning and another in the afternoon.

The first function is the traditional and fairly straightforward one of providing a secretariat for the cabinet committee system. Preparing the forward programme of meetings and agendas, ensuring that the right papers are circulated, servicing the meetings, following up the decisions. To say that this secretariat function is traditional and fairly straightforward in no way implies that it is unimportant or routine. Quite the reverse. The best laid forward programmes are swiftly overtaken by new domestic and international events. Very quick footwork is necessary to see that the papers and meetings keep up. The very functioning of government depends on this staff work being well organised and the operational orders which emerge from the meetings being prompt and clear. In this respect the British Cabinet Office is quite superb. Nor is the work undemanding. The load is a shifting one depending on international and domestic events. A series of international meetings which require parallel action in Whitehall can put a heavy secretarial load on particular sections of the Cabinet Office. On the domestic front continual inter-ministerial meetings on, say, the details of incomes policy can work another section almost into the ground.

The second function is to provide neutral (i.e. non departmental) chairmen and secretaries of interdepartmental committees and working groups of officials. Departments look for a neutral chairman because the very disparate nature of their interests means that they are reluctant to trust one of the other spending departments in the powerful position of chairman. In principle any one of the central departments might perform the function but as time goes by the task seems to fall more and more to the Cabinet Office.

Providing neutral chairmanship for an interdepartmental committee of officials can be, as I know only too well, a frustrating task. The object is to obtain for Ministers an agreed report with clear conclusions and recommendations all in as brief a compass as possible. Each departmental representative on the committee is fighting not only for the interests of his Department but for the inclusion in the text of particular points or reservations which seem important where he comes from, if to no one else around the table. The result is often a reasonably short report with an unreasonable number of appendices to sweep up the departmental points.

This function of supporting the work of the Cabinet Committee System by providing

a good secretariat and neutral chairmanship of official committees is important and non-controversial. In the past there have been some who believed that this was basically all that was needed. It was argued in Australia that if Ministers were well chosen and departments well organised (including the Treasury and the Foreign Office playing their role at the centre) then the role of a Cabinet Office should be almost entirely secretarial and co-ordination and a Prime Minister needed little in the way of a parallel advice system.

I doubt if this picture ever really held true - at least not for many years. Prime Ministers have long expected advice from their Permanent Secretary - the Secretary to the Cabinet - and the briefs for the chairman of any Cabinet Committee have long contained analyses and advice on the issues raised on the agenda. But whatever happened in years gone by the position today is clear enough. For the reasons which I have outlined in this lecture the role of Head of Government has necessarily become increasingly activist and interventionist over a wide spectrum. For very good reasons, which I have also described, the Centre cannot just accept the analysis of the spending departments. The need for a parallel capacity to monitor, analyse and advise has always been present and has grown stronger. But where in the centre should it be?

Traditionally it is located in the Ministry of Finance (the Treasury) with something much slimmer in the Foreign Office. Why does there need to be anything additional in the Prime Minister's office? Partly because, as I have said, the Treasury and the Foreign Office although part of the centre look at things from their own special points of view; the Treasury tends to be pre-occupied with the effects on the balance of the domestic economy - particularly with the short-term effects on public expenditure.

No. Prime Ministers need and expect an advice system of their own; to help in the work of Cabinet and Cabinet committees, in their reaction to issues raised in Ministerial correspondence, in their relations with other Heads of Government - Not least because of the time factor. Briefs for Cabinet Committees, reactions to Ministerial correspondence etc. often have to be prepared at considerable speed. It would be a very great handicap indeed if the back-up for all this was situated in another central department. More frequent contacts between Heads of Government has increased the extent to which

the offices of the Prime Ministers in the different capitals are necessarily in frequent telephone contact. Indeed there is now the standing group of personal representatives of the Heads of Government who help prepare the way for the next summit (Hence the term Sherpas). Here in the U.K. our Sherpa is the Secretary to the Cabinet. All this reinforces the need for a parallel advice system in No. 10 and the Cabinet Office.

There is, of course, good advice and bad. As John MacIntosh said, a Prime Minister certainly gets plenty to read and the question is which advice to accept and which to reject? Or as Machiavelli put it "Good advice depends on the shrewdness of the Prince who seeks it and not the shrewdness of the Prince on good advice".

Nevertheless, if advice is to be proffered at a point as sensitive and influential as a Prime Minister or to a Cabinet Committee then that advice needs to be based on knowledge and study of reasonable depth and that takes time and people.

Certainly I found that in the Central Policy Review Staff. Our work consisted of a mixture of short-term tactical issues on today's problems and today's agenda, and longer term studies which could take many months to complete. Those long term studies were the capital on which we lived. Several months work on a subject, seeing people up and down the country and perhaps overseas, meant that you knew the problems in some depth, knew what you thought about the issues and, almost equally important, got to know people you could contact for a quick update. Then when problems in that area come before Ministers again some time later at fairly short notice one can second guess the sponsor department from a basis of some strength.

As I have already said, here in Britain the Cabinet Office has adapted continuously and fluidly to the changing circumstances and the changing need of Ministers (the EEC Unit, the Devolution Unit, the switch from a Science Unit to a Council on Applied Research and Development). The Central Policy Review Staff is a good example of this flexibility and pragmatism. Its work load has shifted continuously between work for the Prime Minister personally and work for Ministers collectively, and the balance between areas of work has moved with the interests of different administrations. In the early and mid 1970s it was deeply involved in the macro balance of the economy, in public

expenditure issues and above all in the details of incomes policy. That last preoccupation obviously declined sharply after the 1979 election. A heavy deployment of resources on social policy issues and relations with developing countries shifts to industrial issues and so on. By the end of the 1970s the CPRS had been involved at some time or another in virtually the whole spectrum of Government policy. Shifting partly with its own appreciation of what was likely to become important in the period ahead and partly with the changing concerns and interests of the Prime Minister and Cabinet.

The staff of No. 10 and the Cabinet Office works long hours to try to meet the needs of the Prime Minister and the Cabinet collectively. In my view it copes remarkably well with its mixture of roles, and it copes well too with the shifts in the work load from one area to another. It achieves this in part by hard work, partly because it is a hand-picked group of very high fliers and partly by great flexibility and team effort, which is all the more remarkable in that it is a revolving team all on secondment for a couple of years or so.

It really is a team effort from the front door of No.10 round through the Cabinet Office with no false pride of authorship and everyone prepared to help the man struggling to prepare a brief on a Cabinet Committee item at very short notice. I have no doubt that it is a good service. The question I ask is: is it good enough? Do we put into it the resources it deserves given the trends in the role of Prime Minister and the importance of advice at such a potentially powerful point?

I have little doubt that if Prime Ministers past or present were asked if they were satisfied with the service they received the answer would be "yes". Partly because it is a good service, and partly because if the answer were "no" the first supplementary would be "Well, why didn't you do more about it?" Prime Ministers may indeed be satisfied with the service they have received but working for years, as I have, on the servants' side of the green baize door gives one a different perspective.

My thesis is a simple one. In today's world the support system for the Head of Government is a subject of increasing importance. Our competitors have, by and large, faced this issue and come to some structured solutions which have put rather more resources into the area than we have been prepared to do.

We have preferred to keep a very small staff at No. 10 and rely on incremental changes in the Cabinet Office and on the flexibility of those who work there.

If there were to be a more public discussion my own argument would not be for massive change. Britain is a Prime Ministerial democracy, not a Presidential form of government. I would not envisage a Prime Minister taking more day to day involvement even in those departments to which they are nominally connected - Treasury and Civil Service Department. The Prime Ministerial load is already too heavy to take on yet more detailed responsibilities. What in my view is at issue is whether a Prime Minister should have a support system with time to work on problems in some depth across the width of government activities.

At present the advice is given and very presentably too, but the depth is inevitably patchy.

An across the board support system for a Prime Minister of adequate depth seems a simple enough issue and one where the expense involved is tiny in relation to the issues involved. A simple question but it raises many issues. Would these extra staff just be added to the Cabinet Office secretariat and work both for the Prime Minister and Cabinet or would they work for the Prime Minister alone? would they all be drawn from the public service or from outside? would they be political or non-political appointments? etc. I am also aware that though the cost of such an improved support staff would be tiny in relation to the issues involved, any suggestion for increased numbers is anathema at present and no Prime Minister could increase staff while everyone else was being expected to cut back.

But this is a long term question which, if I am right, will not go away but get sharper with the developing role of Heads of Government. It is also a question which is better discussed in opposition than in Government, for in Government time is always pressing, a Prime Minister's support system raises delicate issues of the balance of power between Prime Minister and members of the Cabinet and there are enough difficulties which have to be faced so why disturb something which is working as well as is the Cabinet Office.

It may be considered when in opposition, but even then the issue of a Prime Minister's Department is a sensitive one for a number of prospective members of the Cabinet could well fight shy of strengthening the hand of a future Prime Minister. This sounds a gloomy note on which to end a lecture, and some of you may be thinking that I should indeed have done what the powers that be intended, and spoken some positive thoughts on issues in higher education.

So I will end on a more positive note. The Central Policy Review Staff was a significant change in the system at the centre and that was conceived by the Conservative Party in opposition. Of one thing I am sure: we do need strength at the centre if as a nation we are to find a way out of our troubles. The role of a Prime Minister at the Centre has increased, is still increasing and will not be diminished. We will be foolish if we do not face up to that fact and structure our arrangements adequately.



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LETTERCODE/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>476</i> (one piece/item number)	
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MR. WHITMORE

JS
Graft
c.c. Mr. Gow

I have arranged for Ray Whitney to come and see the Prime Minister on Tuesday 1 September (the only day he will be in London in September) at 12 noon. He wishes to discuss the presentation of Government policies but also mentioned in his latest letter that he has written a paper on the reconstruction of the Cabinet Office.

CS

3 August 1981

Ref: A05361



Grant Mch

MR. WHITMORE

*WJ
JMS*

Thank you for your minute of 29th July attaching a copy of a letter from Mr. Ray Whitney to the Prime Minister about the presentation of Government policies.

2. As I think you know, Mr. Whitney was at one time in the former Information Research Department at the Foreign Office.

3. I should like to be present when the Prime Minister sees Mr. Whitney in September, and I will of course prepare a brief for that occasion. One of the difficulties will be, of course, that we shall not be able to tell Mr. Whitney what we are in fact doing.

RA

Robert Armstrong

31st July, 1981



10 DOWNING STREET

THE PRIME MINISTER

30 July 1981

Dear Ray,

Thank you for your letter of 22 July 1981 about the presentation of Government policies. I was also interested to see the current version of the paper in which you develop your ideas for reconstructing the Cabinet Office.

I should be very glad to have a word with you about your proposals, and I suggest that we do this after the summer holidays. My office will be in touch with you to arrange a time.

Sgd (MT)

Ray Whitney, Esq., O.B.E., M.P.



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I attach a copy of a letter from Mr. Ray Whitney to the Prime Minister about the presentation of Government policies.

As you will see, he has in mind the establishment of a small organisation which would operate rather along the lines of the old IRD at the Foreign and Commonwealth Office. He suggests that such a body should be located in a Cabinet Office expanded in the way he has been arguing for for some time now. Mr. Whitney has taken the opportunity to let the Prime Minister have the latest version of his paper on this wider proposition.

BF The Prime Minister has agreed to see Mr. Whitney in September in order to discuss his letter and paper. May I take it that you would like to be present?

C. A. WHITMORE

29 July 1981

RAY WHITNEY, O.B.E., M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Prime Minister.

Are you ready to see
Ray Whitney again?

If you are, I suggest
we wait until September.

Yes - he lives
Janis Moore
do

22nd July 1981

MM
27/ii

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
10, Downing Street,
Whitehall,
London SW1.

Cherwell.
not

Dear Prime Minister,

We have spoken on various occasions over the past three years about the presentation of Government policies - that hoary old chestnut of Party Conferences and Conservative Associations.

I continue to believe that there remains an urgent need to stimulate the less orthodox techniques of presenting Government policies at home and overseas, generally along lines which were practised in earlier years by the former Information Research Department of the Foreign Office. (The need is to utilise some of the methods developed by IRD over thirty years: not to re-create a whole new Department.)

It is, of course, a very difficult area which the great majority of civil servants and, I fear, Ministers will always be reluctant to enter. For them it is terra incognita and, not surprisingly, the great majority will much prefer to rely exclusively on the safe and established paths of the Government Information Service and/or the Ministerial briefing (attributable or unattributable). I believe that, because of this, we continue to miss many important tricks, which is particularly regrettable when the need for an additional arm to our information effort is even greater than it was before, given, for example, the way issues such as unilateral disarmament, street violence and Northern Ireland are developing.

I recognise the many demands on your time but I should greatly welcome the opportunity to speak with you again about this matter, which is not one which lends itself easily to presentation on paper.

.... The organisation

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
22nd July 1981

... on paper.

The organisation needed to carry out the sort of work I have in mind would be very small and could, I believe, be fitted neatly into the Cabinet Office. It would sit particularly happily within the concept of a reconstructed Cabinet Office which, as you know, I have been exploring since our discussion of this proposal last December.

I am therefore taking this opportunity to enclose a copy of the current version of the paper giving expression to these ideas, which reflects discussions I have had with a variety of past and present Ministers and senior officials. In these exchanges I have been struck by the high level of consensus that exists, in principle, that this is the direction in which the Whitehall machinery ought to be moved. There are differences of detail but the basic difference is over the timescale. The natural inclination of the mandarins is to continue to let the organisation evolve over a period of years. In my opinion, we need changes in a matter of months and I believe worthwhile improvements could be achieved in that time without any damaging upheaval.

Yours ever,

Ray

enc.

CAN WHITEHALL'S MACHINERY BE IMPROVED? A POSSIBLE FRAMEWORK

1. "Of one thing I am sure: we do need strength at the centre if as a nation we are to find a way out of our troubles." - Sir Kenneth Berrill's Stamp Memorial lecture on 4th December 1980 in which he argued for the creation of a Prime Minister's Department. Evidence has been mounting for years that the Cabinet as a collective and the office of Prime Minister need better service and support. Fissiparous Departmental pressures damage Cabinet cohesion and central strategy. And it is, in general, the central strategy for which the electorate voted.

2. Most (all?) countries have a stronger mechanism at the centre than exists in London, including those with very similar constitutional arrangements. Berrill suggests that several comparable governments have about 500 people engaged in this work but the difficulty in making such comparisons is to ensure that the discussion focuses on the same target, viz. the civil servant (or adviser) who is an initiator and thinker and in British terms I would define this at the level of Principal and above. Such a definition, for example, would embrace only about 140 of the 442 civil servants listed on the staff of the Australian Prime Minister's Department. I believe that the improvements needed in Whitehall's central mechanism could be achieved by about 200 good quality people and that some 190 existing posts can be identified in present establishments which could be absorbed in the reorganisation I propose. We may therefore be talking only of an increase of about a dozen at the centre and it seems likely that compensating savings for even this number could be found in the policy Departments. (For further details on staffing, see paragraph 4 below and Annex.)

3. I suggest that the way forward should be the development and strengthening of the Cabinet Office rather than the creation of a new Prime Minister's Department. The Restructured Cabinet Office (RCO henceforth) would include the present Cabinet Secretariat, the CPRS and the policy-making element of the CSD. It might also include one or two from the No.10 Policy Unit although Prime Ministers will always need some personal advisers.

4. The RCO could operate in teams covering the functions set out below. I also offer suggestions on the staffing complement of each team, whilst recognising that - from an outsider - these must be highly tentative.

- a) Overseas Affairs (60 Principals and above?)
International relations generally, EEC matters, Defence, Aid, Intelligence co-ordination, Assessments Staff (see Annex, paragraph 2a), international organisations and conferences.
- b) Home Affairs (20 staff?)
Home Office, Scotland, Wales, Northern Ireland, Civil contingencies.
- c) Economic Policy (20?)
Treasury, Trade, Industry, Employment.
- d) Social Affairs (15?)
Health, Social Services, Education, Environment.
- e) Resources and Transport (15?)
Energy, Agriculture, Transport, Technology.
- f) Manpower Policy and Control (15?)
From the present CSD. The remainder of CSD's necessary functions to be brigaded with the Civil Service Commissioners.

g) Parliamentary (5?)

The legislative programme, Parliamentary committees and questions, liaison with the Leaders and Whips of both Houses.

h) Planning (15?)

Continuous monitoring of the priorities to be given to governmental activities. Spotting new areas where government action may be needed and the financial consequences thereof. This team would embrace the present CPRS. It would recommend to the Cabinet and, when approved, organise any special studies which seem necessary. It would set up task forces with appropriate help from Government Departments and outside experts.

i) Information (5?)

The presentation of Government policy - in conjunction with the designated Minister, the Chief Press Secretary and the COI.

j) Secretariat (30?)

Servicing of the Cabinet and Cabinet Committees. Programming and co-ordination of Cabinet business. Preparation of six-month forecast programme of Cabinet submissions with a minimum ten-day rule for the circulation of Cabinet papers (apart from emergencies). Monitoring of any follow-up programme for matters required to come back to Cabinet or its Committees.

5. This list does not include components of the present Cabinet Office such as the Central Statistical Office or other elements whose existence has not been published. They would have to be fitted in somewhere. Some of the ten divisions listed in paragraph 4 would inevitably be large (for example, Overseas Affairs) but others could probably do a good job with a handful of capable people. They would be

well versed in their speciality but have a broad view which would prevent them being enmeshed in the daily detail which takes up so much Departmental energy and stultifies thought. It would be essential that the head of each team, whether a career civil servant or not, should be fully attuned to the objectives of the Prime Minister and Cabinet.

6. The teams would be a mixture of civil servants and political appointees or specialists on, say, three year contracts (from universities, research institutes, local government high-fliers, etc.). Most of the civil servants would, after a probationary period, be part of the permanent cadre of the RCO. They would have had a minimum of five years (perhaps ten?) in another Department before joining. Senior RCO civil servants would be eligible for consideration for Permanent and Deputy Secretary appointments in other Departments as they arose. Members would normally stay with one team for at least three years - there are still too many generalists in Whitehall.
7. Working under the authority of the Prime Minister and the Cabinet Secretary, (but see paragraph 9), the teams would seek the maximum degree of inter-Departmental consultation on the matters coming forward for consideration by the Cabinet or its Ministerial or Official Committees. They would weed out issues which need not appear on the agenda but ensure that all matters requiring review and co-ordination were properly looked at, taking account of the Parliamentary timetable, tactical political considerations, etc.
8. The RCO teams would have to practise what the Secretary of the Australian Prime Minister's Department, Sir Geoffrey Yeend, has described as "the art of co-ordination ... knowing when to support, to encourage and endorse; when to probe; when to inject an alternative thought, press a contrary point or advocate an alternative policy; how to win consideration for your view without submerging or destroying the views of others."

Whilst recognising that in the long term, governments must depend on the standing and efficiency of the policy Departments, the teams would have a duty to push for options to be examined and to propose alternative courses of action. They should not be afraid of offering second opinions. Where they took a different view from the lead Department, they would advise that Department well in advance of the relevant meeting. All the options would be considered by the Cabinet or the Committee and the objective would be to reduce the sort of Departmental horse-trading which can lead to poorly considered policies slipping through - "Give me a free run today and I will do the same for you next time".

9. Ministerial Responsibilities

Careful thought would need to be given to Ministerial relationships with the RCO. There are at least two dangers: the Prime Minister must certainly be spared the routine responsibilities of "running a Department" and she(he) must not become - nor be made to appear - "Minister for Everything". Indeed the aim of these proposals is to improve the effectiveness of the Cabinet as a whole and I am confident that both traps can be avoided. The possible need for a redeployment of Ministerial responsibilities in relation to the RCO is a subject for a subsequent stage of the debate.

10. Conclusion

This plan is offered in outline only and is written from "the outside". Many other questions would have to be settled and the validity of these proposals would have to be tested on those with current inside knowledge. Whitehall always resists change and it seems likely that a major part of the resistance will be based on the theme of "we do most of this already". But is there no area where we can make improvements and have, for example, better co-ordination, more foresight, better briefing of Ministers before decisions are taken or more rigorous follow-up procedures?

ANNEX

STAFFING ISSUES

1. It is proposed (paragraph 3 of main paper) that the RCO might be composed of the present Cabinet Secretariat and CPRS (i.e. the Cabinet Office less the Central Statistical Office which is brigaded with it) and the policy-making elements of the CSD. On the basis of such figures as I have been able to obtain, this could involve 188 posts at the level of Principal and above.

2. Details of this calculation are as follows:

a) Cabinet Office

	P	SP	AS	US	DS	PS	Total
Total Cabinet Office:	33	2	10	10	7	3	65
Less CSO:	8			3	1	1	13
Posts available for RCO:	25	2	10	7	6	2	52

(I am assuming that the Assessments Staff are included in these figures and I have therefore taken account of their function in the team proposals made in paragraph 4 of the main paper. If they are not - and in other capitals the Assessments Staff role is kept apart from the RCO-type mechanism - the numbers problem becomes correspondingly easier.)

b) Civil Service Department

I have taken the Manpower and Organisation Divisions as the "policy-making element" of the CSD and they comprise the following posts:

P	SP	AS	US	DS	PS	Total
73	11	16	4	1	1	106

In addition these Divisions employ 30 officers in the Scientific, Technical, Research and Engineering grades at the equivalent of Principal and above, thus giving a total available (?) establishment of 136.

3. The Australian Department of the Prime Minister and Cabinet has the following complement:

4th Division	3rd Division	2nd Division	1st Division	Total
181	227	33	1	442

The different structure and nomenclature of the Australian civil service makes for some difficulty in any comparison with Whitehall. The 4th Division comprises junior grades and less than half of those shown in the 3rd Division would be doing the sort of work expected of a Whitehall Administrative Principal. In terms of initiators and thinkers, therefore, the establishment of Canberra's Prime Minister's Department is about 140 people.

PERSONAL AND CONFIDENTIAL

cc Mr Wright

Mr WHITMORE

FUTURE OF THE CSD

flay A

This is to acknowledge your minute of yesterday to Sir Derek Rayner, who will see it on his return from business and leave on 10 August.

2. The minute will not be copied. The papers will be sealed during my own absence on leave and left in Mr Beesley's keeping (233 5029).
3. I shall begin the staff work for which Sir Derek Rayner asked after his meeting with the Prime Minister on 15 July (ie on the design of the new "unit" or expanded Cabinet Office) but do not expect to be able to complete it before going on leave on 21 or 22 July.
4. It would help me to know how you see the timing of the possible changes to which you refer.

Sp

C PRIESTLEY
17 July 1981



10 DOWNING STREET

Govt Mark
CSD

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR DEREK RAYNER

FUTURE OF THE CSD

I have recorded separately in my minute of 15 July 1981 to Sir Ian Bancroft that part of the Prime Minister's meeting with you and Mr Cassels yesterday which was related directly to Mr Cassels's appointment to the new Second Permanent Secretary post in your unit.

During the course of the meeting the Prime Minister also touched upon matters which affected the question of the future of the CSD. She said that she had in mind the possibility of expanding your unit by incorporating in it those parts of the CSD which were concerned with efficiency and then combining the enlarged unit with the Cabinet Office. This might form the basis of a future Prime Minister's Department. As part of the first step in this process the CSD's responsibility for manpower would have to be transferred to the Treasury. If the Cabinet Office was enlarged by adding to it an expanded version of your unit, the Prime Minister would not have time to supervise it on a day to day basis and might well need the assistance of a Minister of State.

The Prime Minister's remarks are of course very relevant to your minute of 29 June about the future of the CSD and we shall be returning to this subject at the meeting which has been arranged for Monday 7 September. I know that I need not stress the sensitive nature of what the Prime Minister said but even so I should be grateful if great care could be taken with the handling of this minute.

✓ I am sending a copy of it only to Sir Robert Armstrong.

JWH.

16 July 1981

AA

File AA A
cc. CO
Govt Mark

BF 4.9.81



10 DOWNING STREET

From the Private Secretary

Mr Whitby W

Future of CSD.

Meeting arranged for
1500 on Wednesday 9th
September.

of

Now changed
to Monday 7th

1417

Wote

Prime Minister

PRIME MINISTER

*Will discuss
not*

*When you have the chance to see
Sir Robert Armstrong you are not to discuss
anything in the subject before the recess. Would
you mindless like to have a meeting with
him and Sir Derek Bayard some time this
month?*

FUTURE OF CSD AND THE HEADSHIP OF THE CIVIL SERVICE

Yes *the* *3rd*

1. Sir Robert Armstrong and I have consulted each other about your requests for advice on the future of the Civil Service Department and the functions and selection of the next Head of the Civil Service (HCS). Our thinking is set out in the attached note. If you agree, this covering minute will provide a basis for discussion.

FUTURE OF CSD

2. CSD has functions of controlling expenditure on; developing and auditing the effectiveness of; and providing services for the civil service. We think that there are two options for their future organisation.

3. In brief, these:

(1) Keep CSD as it is, but with the right people in the two Permanent Secretary seats (if indeed two are needed) and in the Deputy Secretary (Management) seat.

(2) Abolish CSD and either:

A. Put CSD control and "efficiency" functions including the appointment of top people) in the Treasury, to form with the other expenditure divisions a sort of "Office of Management and Budget".

B. Divide CSD functions, putting control in the Treasury, but "efficiency" (including top people) in the Cabinet Office so as to provide a separate strong central impetus for your policy to develop and audit the effectiveness of the civil service.

4. In each of options 2A and 2B, the "service" functions of CSD (eg recruitment and training) would form a new and separate "public services agency".

5. Our reasoning is that CSD suffers from two defects, one of institutional form and the other of personnel:

(1) At bottom, CSD's work is that of Treasury control. Divorce from the Treasury may have been right and was probably inevitable after Fulton, but in the longer run it was an institutional error which will have to be repaired sooner or later. For various reasons, some political and personal, some institutional, CSD has not latterly carried political or official clout. This has left its mark. CSD has no record of substantial success of a kind which departments respect. This is unfair to a degree as CSD has done and continues to do some excellent work but as a whole the department lacks credibility and conviction.

(2) The existing key senior officials are not right for the job.

6. The personnel defect could certainly be corrected fairly readily. We discuss how in option 1, namely keeping the title "HCS" but revitalising the office, partly by re-defining it but mainly by putting the right person at the top and giving him the right support.

7. We think that the institutional defect could be at least mitigated by having the right people in CSD and the right policies for the centre. But it will always be there. Our view is therefore that CSD's control functions should go

back into the Treasury, to form an "Office of Management and Budget" covering all public expenditure. This would report to the Chief Secretary and would be headed at official level by a Permanent Secretary of considerable quality (option 2A). Service functions would go into a "public services agency" in both options 2A and 2B.

8. We do not elaborate on option 2A in detail because we assume that the considerations which decided you against the Treasury/CSD merger in January may still apply. Instead we consider an alternative way of repairing the institutional defect.

9. In option 2B, we envisage that CSD's expenditure control functions (manpower and pay) would also go to the Treasury. All the rest, including CSD's "efficiency function" together with my unit, forming a "management development and audit" group, would go to the Secretary of the Cabinet. He would report directly to you on HCS matters but possibly in respect of "management development and audit" business through a Minister of State.

THE HEADSHIP OF THE CIVIL SERVICE

10. The present functions of the Head of the Civil Service (HCS) are listed in Annex A to the attached note. Whatever you decide to do about the CSD (see below), someone has to discharge these functions. Someone should also have the job of quality assurance to do that is described in paras. 8 and 9 and Annex B of the attached note; that should go wherever the "development" function of CSD goes. It is possible to imagine separating the "top people" function of the HCS from the management and quality assurance parts (the "development" aspects) of the CSD's functions but on any of the options the quality assurance function would fall to the person who takes on the existing functions of the HCS.

11. We think that the functions of the HCS ought always to attach to a particular official position (Permanent Secretary, CSD; or Permanent Secretary, Treasury; or conceivably the Head of "OMB"; or the Secretary of the Cabinet) rather than allowing them to float around Whitehall. Our reasons against "floating" are that whoever advises you on such matters as machinery of government and senior appointments should be able to do so without the slightest risk or suspicion that his judgment may be affected by the business or interests of his own department.

12. Sir Robert Armstrong doubts whether it is necessary or desirable to retain the title of "Head of the Civil Service", but I understand that view would not be shared by Sir Ian Bancroft or Sir Douglas Wass. I myself favour keeping the title as marking clearly where responsibility lies for advising on quality assurance and on senior appointments.

13. We list possible candidates for the succession in Annex C to the attached note.

ADVICE

14. Our comments on the question whether or not to keep the CSD are as follows:

- (1) Option 1 (keep CSD) is the easiest. It involves no institutional change. CSD could certainly be made to work better with the right people at the top. But it maintains what we firmly believe to be a damaging flaw in the machinery of government.
- (2) Option 2A (the "Office of Management and Budget" solution) we regard as the best from all points of view. It gets expenditure control right

but it involves institutional disturbance and extra work for Treasury Ministers.


- (3) Option 2B (part to Treasury, part to Cabinet Office) also gets expenditure control right. It revitalises the "management development/audit" parts of CSD by putting them into a well-trying part of the government machine, the Cabinet Office, a department which has considerable influence because of its wide coverage of Whitehall business and the closeness of its official head to you. But it is also a radical departure for the Cabinet Office and for you. It might attract some suspicion and hostility because of that.

15. Our own order of preference would be

First, "Office of Management and Budget" in the Treasury, option 2A; HCS to be either Permanent Secretary of the Treasury or the official head of "OMB".

Second, the Cabinet Office cum Treasury solution, option 2B; HCS to be Secretary of the Cabinet.

Third, keep CSD with the right personnel at the top, option 1; HCS to be (as now) Permanent Secretary of CSD.


Derek Rayner

29 June 1981

Encs: Note plus Annexes

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

FUTURE OF CSD AND THE HEADSHIP OF THE CIVIL SERVICE

INTRODUCTION

1. The title "Head of the Civil Service" (HCS) is misleading. Its holder is head only of one department, formerly the Treasury, now the CSD. He has no executive authority outside his own department and is not even the most highly paid of officials, being on a salary par with the heads of the Treasury and the Diplomatic Service and the Secretary of the Cabinet. As Permanent Secretary of CSD, Sir Ian Bancroft is responsible for a net expenditure of £46m, which is very modest in Whitehall terms.
2. The office of HCS has in the past been most powerful when a combination of events, Ministerial policies for administrative change or reform and tough officials gave it a vigorous motive force. The prime examples of this are the early years of Sir Warren Fisher, who was head of the Treasury for nearly 20 years (1919-39) and of Sir William Armstrong (1968-74).
3. Since Sir William Armstrong's interest in CSD business faded in 1971-73, the underlying philosophy of CSD and its official heads has been generally quietist, pragmatic and cautious. To a degree, this is quite understandable; weak political leadership does not inspire adventurousness among officials. On one view of things as they are now, it should be sufficient to ensure that CSD's two Permanent Secretaries, who both retire in 1982 (Sir John Herbecq in May and Sir Ian Bancroft in December), and the Deputy Secretary (Management), are replaced by officials with appropriate experience and determination. (I am however far from certain that CSD needs a Second Permanent Secretary as well as a full Permanent Secretary.) On another view, it could be argued that the

separation of control functions between the Treasury and CSD has so undermined the capacity of the HCS that no effective change can be achieved without repairing it.

4. We believe that there are two possible courses of action.

OPTION 1: LEAVE CSD AS IT IS

5. We describe in Annex A what official CSD is meant to do and why it is regarded as unsuccessful.

6. In brief, what CSD does is a mixture of three things:

- (1) It controls some expenditure, notably staff numbers and pay.
- (2) It develops and audits the effectiveness of administration, including personnel (especially top people).
- (3) It provides certain services, including recruitment, training, computers and some odds and ends which have to go somewhere.

7. The jobs of the "Head of the Civil Service" are also outlined in Annex A. They are all things that have to be done somewhere. But they do not on their own constitute anything like a full-time job. And they are likely to be done most effectively by someone who operates from the power base of a central department and who is in regular contact with and the confidence of the Prime Minister.

8. Compared with what might be, I believe that the way in which the "headship" of the HCS is at present practised appears very diminished. The title implies that the officeholder should, and I certainly think that he must, provide professional leadership for the heads of the civil service; promote excellence and pride in administration; and use to good effect a sensible mixture of sticks and carrots. At the

moment, it is mostly carrots.

9. The contrast with existing arrangements can be most clearly seen against a checklist of things needed to run the civil service (or any individual department with it) or indeed that the top man in any organisation should be responsible for. These are best expressed first, as general questions and, secondly, as particular tasks, eg

General questions

"Have I got the right people in the right places?
What am I doing about this for next year and for
5 years on?"

Particular tasks

Take personal responsibility for the scrutiny and management review programmes; for other centrally-run or organised audits of departmental effectiveness, eg staff inspection; and for promoting departmental audits at the initiative of individual Permanent Secretaries.

10. These general questions and particular tasks are set out in more detail in Annex B.

11. In such tasks, a good HCS based in CSD should be assisted by my unit, which should pass from my control to his personal control at the end of my assignment.

12. There are two possible views about the sort of official needed to undertake the revitalised HCS post. First, it might be seen as the task of a very senior official, experienced in the Permanent Secretary grade and with responsibility for substantial departmental staffs and other resources - that is, someone whom other Permanent Secretaries would willingly consult as the doyen of their corps and who knew from doing it what management was all about. Sir Frank Cooper is the

obvious candidate. I would hope that keeping him on beyond retiring date for this purpose (he goes in December 1982) would not be ruled out. Sir Brian Cubbon is another possibility, a more natural one than Sir Frank Cooper in that he has 7 years to go before retirement. I attach as Annex C a note on other existing Permanent Secretary candidates.

13. However, I do not attach an over-riding importance to age, seniority and grade experience. Sir Warren Fisher became HCS at the age of 39. No-one would argue that he lacked the vision, determination and personality essential to success. I would strongly suggest as an alternative the appointment of a younger officer, not necessarily yet a Permanent Secretary, with the drive and determination needed. He should be prepared to be tough when necessary, but still be seen as the colleague and counsellor of Permanent Secretaries. To be credible, he would have to have a substantial track record of successful management. He should delegate much of the work which at present appears to occupy CSD Permanent Secretaries and devote himself to those things which call for leadership and block-busting. Depending on how the Second Secretary in my office performs, one obvious possibility is that he should succeed first Sir John Herbecq (May 1982) and eventually become Head of the Civil Service in succession to Sir Ian Bancroft (December 1982) or to whoever follows him.

14. If you did decide to leave CSD as it is, it would be essential in my judgment to:

- (1) provide the Lord President and Minister of State at an early date with Permanent Secretaries and a Deputy Secretary (Management) in whom they had confidence;
- (2) review the lower level staffing of CSD critically and work up a manning policy which would increase

the confidence of other departments over a period of time; and

- (3) stop CSD fiddling with details which can and should be left to departmental management to deal with on their own responsibility.

OPTION 2: ABOLISH THE CSD

15. It remains my conviction that CSD is an offshoot of the Treasury; that the effectiveness of central control over expenditure and of "efficiency" policies has been damaged by the separation of CSD from the Treasury; and that this damage will never be wholly repaired without a merger. I continue to meet the ill effects of separation in such matters as training for financial management. There are two possible routes to follow: A, the Treasury route and B, the Treasury/Cabinet Office route.

Option 2A: The Treasury route

16. Concentrating in Treasury Ministers' hands control over civil service expenditure and the means of influencing the quality of civil service operations and personnel is the most robust solution. I would therefore prefer to see CSD control and development functions - manpower, pay, super-annuation, conditions of service and "efficiency" (including top appointments) - pass to the Treasury and be brigaded with control over the (mostly) very much larger blocks of expenditure on policy programmes.

17. In machinery of government terms, you would in effect be establishing within the Treasury, under the control of the Chief Secretary, an "Office of Management and Budget". I think that it would need to be headed by a very good full Permanent Secretary. Logic suggests that the "HCS" function, along with my unit, should pass to the Treasury: either to

the Permanent Secretary of the Treasury, or conceivably to the official Head of the proposed "OMB", although that would make for awkwardness between him and the Permanent Secretary, who would in a technical sense be his superior.

18. What should be done with the CSD's service functions, the rest of personnel, training, computers, etc? The alternatives are:

- (1) Combine them in a new "public services agency", embracing the Civil Service Commission, Civil Service College, Central Computer and Telecommunications Agency and the miscellaneous central and other services for which CSD is responsible (eg medical advisory service and government hospitality). This could be headed up by an official. But if we revived the idea of bringing the Property Services Agency into such an organisation, we should need, I think, to envisage that it was headed by a Minister of State.

NB: This "public services agency" would also be part of the arrangements to be made under Option 2B.

- (2) Combine some functions in a "public services agency" as in (1), but disperse other to departments perhaps more capable of dealing with them, notably computers to the Ministry of Defence* and catering to the Property Services Agency.**

* I think that the CCTA is wrongly sited in the present CSD. The Ministry of Defence is the main repository of knowledge and skill on computers in government. I believe that the CCTA should go there and be run as a service to other

19. One important incidental effect of abolishing a department is that the office of its Permanent Secretary is abolished too. This would mean that Sir Ian Bancroft could retire early. If you wished to retain his services until December 1982, you might invite him to work up the plan for putting your decision into effect and to be the first head of the agency described in (1) above.

20. I have not described Option 2A in any detail, as I am assuming - perhaps mistakenly - that a large degree of CSD/Treasury merger is not in consideration for the moment.

Option 2B: The Treasury/Cabinet Office route

21. This option would transfer CSD's
- (1) control functions to the Treasury;
 - (2) management development functions to the Cabinet Office; and
 - (3) service functions to a "public services agency" (as in Option 2A).

departments. One great advantage of this is that the CCTA would be more readily staffed by people who know something about computers. The location of the CCTA is not crucial, but I do think that at present the CCTA consumes some of the time of senior CSD people - not expert in the subject matter - and that this gets in the way of things they should be doing instead.

** The Civil Service Catering Organisation (CISCO) could go to the Property Services Agency. This is not a point on which I feel strongly. CISCO has a chief executive of its own; he should be allowed to get on with his job.

22. Option 2B would concentrate the expenditure control function in the Treasury but assume that the associated functions of developing and auditing the civil service might be carried out by Treasury Ministers only with difficulty owing to problems of workload and would benefit from the stronger impetus provided by the separate power base of the Cabinet Office. As Minister for the Civil Service you would re-allocate your functions, "control" to the Chancellor (as before) but "management development and audit" to an official in day-to-day contact with you in a way that the HCS is not and has not been for some years.

23. The main components of the "management development and audit" group would be:

(1) Management development and audit

The "Rayner unit" on transfer from your office; scrutiny and Government-wide review programmes; "lasting reforms".

Staff inspection; central management services, including machinery of government, management development and operational research.

(2) Personnel management and development

Recruitment policy, including the Civil Service Commission, if not put into the "public services agency".

Training policy, including the Civil Service College, if not put into the "public services agency".

Personnel management, including top appointments, succession policy and the management of staff groups.

24. It would be for consideration whether you wanted to introduce a Minister of State into the Cabinet Office to take day-to-day political responsibility for this work. There are precedents for this. I suspect that a junior Minister might find it hard to carve out enough Ministerial work to do but the job could provide good background and training in preparation for promotion later.

25. The Secretary of the Cabinet would assume personal responsibility both for the existing HCS functions and for the new functions outlined in paragraph 9 above. The title "Head of the Civil Service" need not necessarily be kept, although I think that it has value, not least in relation to your own title as Minister of the Civil Service. He would need to be assisted by a Second Secretary to head up the ex-CSD work. This official would need to be vigorous and determined. He should have the sort of track record in departmental management which would make his advice and observations respectable and authoritative. He would need to work closely with the Treasury and to spend a large part of his time in and learning from departments at all levels, something that the current top echelons of CSD have not been good at.

26. I would see the Second Secretary now to be appointed as head of my unit, if successful, moving on to occupy the "CSD" Second Secretary seat in the Cabinet Office. Indeed, I suggest that it should be established that the head of my unit should become the head of the "CSD", whether the existing CSD as in Option 1 or the "management development and audit group" in Option 2B. As an immediate consequence of this, I suggest that Sir John Herbecq should not be replaced on his retirement next May unless by the head of my unit.

27. Option 2B has some imperfections:

- (1) Although concentrating expenditure control in the Treasury, it would retain something of the

existing separation of functions between the Treasury and CSD. This would require continued bridging.

- (2) The expanded Cabinet Office, although responsible to you, would to a degree be servicing and dependent on the Treasury.
- (3) As in Option 2A, Treasury Ministers would have to take on the burden of negotiating with the civil service trade unions on pay and conditions.
- (4) The Cabinet Office would also have to negotiate with the unions, although on somewhat less contentious matters, eg on aspects of personnel management and training. The Treasury would be seen to be getting the dirtier end of the stick than the Cabinet Office but the latter could not do even its relatively easy task without co-ordination and consultation with the Treasury.
- (5) Option 2B has the advantage of reducing the number of top Home civil servants from 3 to 2. But it would be seen as increasing your own power in relation to that of your colleagues and the power of the Secretary of the Cabinet, the official who stands closest to you, in relation to that of his colleagues.

Derek Rayner
29 June 1981

Encs: Annexes A - C

ANNEX A: WHAT CSD DOES

1. As Permanent Secretary of CSD, Sir Ian Bancroft is responsible for the "Central Management of the Civil Service". This is less a coherent policy than a mixture of control, development and service functions. It accounts for a net expenditure by CSD of £37m on:

- (1) Expenditure control and "efficiency": manpower, pay, superannuation and conditions of service; inspection and consultancy services on manpower use, management and organisation, including "machinery of government".
- (2) Personnel management: recruitment, training and personnel policies and operations, including the Civil Service Commission and College.
- (3) Miscellaneous central services: including medical advisory service, welfare and payroll.
- (4) Miscellaneous other services: these are things which have to be looked after somewhere, including the Government Hospitality Fund.

2. The Second Secretary, Sir John Herbecq, helps across the whole field, but has a personal responsibility for administrative computers, now provided to departments on repayment terms, and catering (net expenditure, £8.9m).

3. More details are given in appendix 1.

4. As "Head of the Civil Service", Sir Ian Bancroft has an assortment of things to advise you on and, as necessary, your colleagues:

- Public and personal appointments by Ministers
- Access by former Ministers to their papers

- Contacts with Opposition parties on "transitional" arrangements
- The organisation or "machinery" of government, ranging from border skirmishes between departments to major questions of structure
- Appointments to Permanent and Deputy Secretary posts
- Acceptance of business appointments by former officials and officers of HM Forces
- Security, conduct and discipline in the civil service
- Honours
- Queen's Award to Industry.

5. These are all jobs which have to be done somewhere. More details are given in Appendix 2. But they are not all jobs that the reasonable man would imagine that a "head of profession" was spending his time on.

6. The staff who work in the main "policy" areas in para.1. (1) and (2) above are a mixed bag. They include people with field experience and possibly also professional qualifications; such people generally go up to the level of Principal; most Principals and senior staff are classic Whitehall administrators, some serving on secondment from other departments, some home-grown CSD. Some of the staff are very good indeed. But generally the CSD is regarded by other departments as not having much knowledge of practical management and as being needlessly interventionist and theoretical in its approach. One very experienced Permanent Secretary, whose judgment I respect, has both very little time for CSD and great difficulty in persuading good staff to serve a term there, as compared to going to the Treasury or the Cabinet Office.

PRESENT FUNCTIONS OF THE HEAD OF THE CIVIL SERVICE

1. The Permanent Secretary of the CSD has two responsibilities, one reasonably precise (running most of his own department) and one reasonably broad (being "Head of the Civil Service).

2. The first responsibility consists in an overall responsibility to the Lord President of the Council for a comparatively small department (staff) and is a direct personal responsibility as Accounting Officer for net expenditure on the following functions, described in Supply Estimates as "Central Management of the Civil Service":

	<u>£m</u>
(1) CSD, Salaries and expenses of 1,279 staff	16.3
(2) Central Civil Service Recruitment, salaries and expenses of CS Commission, 352 staff	6.1
(3) Central Civil Service Training, salaries and expenses of CS College, 296 staff	3.0
(4) Other Central Services for Civil Service management, including medical, welfare and payroll services	8.3
(5) Other Services, including Government Hospitality Fund, Office of the Parliamentary Counsel, etc.	3.2
	<u>36.9</u>

3. As Permanent Secretary of CSD, and to some degree also as Head of the Civil Service (HSC), Sir Ian Bancroft is assisted by a Second Permanent Secretary, Sir John Herbecq (who is due to retire in May 1982). Sir John is directly responsible as Accounting Officer for net expenditures on the following "agency" functions:

	<u>£m</u>
(1) Central Computer and Telecommunications Agency (716 staff and some capital expenditure)	8.9*
(2) Civil Service Catering Services (77 staff in CISCO, 1,694 staff in directly managed restaurants)	.001

* Expenditure of £197.6m on the purchase, hire and maintenance of computers, associated equipment and software for administrative purposes is recouped from departments on repayment terms. The £8.9m shown above includes £0.9m for computer services for Parliament, supplied on allied service terms.

/ Gross expenditure of £1.11m on the Catering Organisation and directly managed restaurants is recovered by charging departments.

ANNEX A, Appendix 2

"HEAD OF CIVIL SERVICE" FUNCTIONS

1. Questions of procedure for Ministers

- (a) Departmental Permanent Secretaries to consult HCS about proposed public appointments in their departments.
- (b) Departmental Permanent Secretaries to consult HCS when their Ministers wish to make personal appointments in their departments. HCS to decide whether to consult PM.
- (c) Departmental Permanent Secretaries to inform HCS and Secretary of the Cabinet of any approaches by former Ministers for assistance by departmental staff in checking references and verifying facts in papers from their time in office.

Remarks

- (a) US i/c Public Appointments Unit advises HCS direct. (Usually informal discussion between the PAU and Departments before the formal approach to the HCS. Head of PAU occasionally deals with CSD Second Secretary in those circumstances.)
 - PAU at present reports to US Management & Organisation; headed by Principal; US (Mr Charkham) makes a large personal contribution, having accumulated 6 years knowledge of people and procedures.
- (b) HCS advised by Personnel Management 5. (1 Principal, 2 HEOs, 1 EO; AS Mr Davie).
- (c) HCS advised by Machinery of Government Division?

2. Matters affecting Parliament and the Machinery of Government

- (a) Departmental Permanent Secretaries to consult HCS on requests for confidential talks with officials where these appear to relate to transitional arrangements between the existing Administration and a possible successor.
- (b) HCS himself, by convention, available to Leaders of Opposition parties for consultation on transitional arrangements and the structure of government desired.
- (c) HCS advises PM on machinery of government matters.

- (a) - (c) HCS advised by Machinery of Government Division (AS: Mr Osmotherly; 3 Ps; 1 HEO; 2 EOs; 1 Typist), which reports to US Management & Organisation (Mr Charkham) but often deals directly with HCS.

Remarks

3. Senior Appointments

- (a) HSC advises PM on Permanent Secretary and Deputy Secretary appointments, in which he is assisted by a panel of senior Permanent Secretaries (Senior Appointments Selection Committee).
- (b) HCS will discuss his recommendation to the PM beforehand with the appropriate senior departmental Minister.
- (c) HCS is consulted about appointments to PEO or PFO posts at US and DS levels; CSD in turn consults Treasury on PFO appointments.

- (a) - (c) Deputy Secretary Personnel Management (Mr Fraser). The PM Group (Mainly PM1) provides some support for the HCS, in the form of "data appreciation". (PM1, an AS Division (Mr Tobias), reports to Mr Tuck, who is a Civil Service Commissioner and Director of CSSB; Mr Tuck spends roughly 30% of his time on PM1 work as a whole.)

4. Acceptance of outside business appointments.

- (a) HCS and Minister must consider cases concerning Permanent and Second Permanent Secretaries (and officers of HM Forces of equivalent rank). Non-commercial appointments may be approved by them. All other cases are put to the PM for reference to the Advisory Committee on Business Appointments.
- (b) Same applies to departmental heads other than Permanent Secretaries, save that the case may be decided by the Minister.
- (c) Same applies to officers of Deputy Secretary level, save that the case may be decided by the Minister where his Permanent Secretary and HCS are agreed.

- (a) - (c) Deputy Secretary PM (Mr Fraser). Support work is provided by PM5 (Mr Davie), as 1(b) above.

	<u>Remarks</u>
<p>5. <u>Security, conduct, discipline</u></p> <p>(a) HCS is responsible for the Pving of Permanent Secretaries and subsequent quinquennial reviews.</p> <p>(b) PM and Principal Private Secretary look on HCS as a "wise old bird" who might be consulted on general conduct matters.</p> <p>(c) "Leak" inquiries.</p>	<p>(a) Presumably arranged in concert with Secretary of the Cabinet?</p> <p>(b) - (c) HCS assisted by his private secretary (Principal), Deputy Secretary PM (Mr Fraser) and PM5 (which has 1P, 1 HEO, 1 EO and 1 CO on "Security and Emergencies" work).</p>
<p>6. <u>Honours</u></p> <p>(a) HCS chairs Main Committee; puts final list to PM, with explanatory covering report; then answers PM's questions.</p> <p>(b) HCS appoints chairmen of Honours Sub-Committees.</p> <p>(c) Honours work heavy for 4 - 6 weeks each year.</p> <p>(d) HCS chairs Committee for Gallantry Awards: makes few demands on his time.</p>	<p>(a) - (d) HCS assisted by Ceremonial Branch. (This consists of AS (retired US, Mr Sharp); 1 SEO; 1 HEO; 2 EOs; 1 Personal Secretary and 7 clerical and typing staff).</p>
<p>7. <u>Queen's Award to Industry</u></p>	<p>Nothing known.</p>

ANNEX B: GENERAL QUESTIONS AND PARTICULAR TASKS FOR A
REVITALISED HEAD OF THE CIVIL SERVICE

General questions

"Have I got the right people in the right places? What am I doing about this for next year and for 5 years on?"

"Is my organisation successful at its job?"

"What does it cost to do its various jobs? Is it cost-effective? Does it have to do everything to which it now addresses itself? Are its ways of doing its various jobs sensible and economical? Am I at least keeping pace with technological change?"

"Am I satisfied with my systems for planning, allotting and using money and people? With the structure of my organisation?"

"Do my staff enjoy working in my organisation? Do they stay? What are their working conditions like?"

"Is the organisation better at some things than others? If so, why?"

"What lessons should I learn from complaints by my own staff; members of the public; the Public Accounts Committee; the Parliamentary Commissioner for Administration; and MPs?"

Particular tasks

Whether the HCS is kept or not, someone has to concentrate on those things which require a Government-wide treatment, especially but not only personnel, eg policy for succession to the top management jobs, and on a newly clarified assignment, namely promoting good quality administration. I would envisage that the HCS approached this new task, not in an inquisitorial or vengeful spirit, but aiming to profit by the

experience and advice of the Permanent Secretaries, who are at present a greatly neglected resource. The HCS should devote his time to the issues which call for leadership and block-busting, agreeing an annual plan of work with you for the purpose. He should:

- Carry into effect such "lasting reforms" as lie wholly in the power of the central Ministers and help Cabinet and individual Ministers give effect to the others. The main emphasis here should be on succession policy, training for resource management and creating the conditions in which staff could take a pride in their profession.
- Lead and assist developments in cost-consciousness, and more important in cost-responsiveness, taking the lead at official level in the annual scrutiny of departmental running costs.
- Take personal responsibility for the scrutiny and management review programme; for other centrally-run or organised audits of departmental effectiveness eg staff inspection; and for promoting departmental audits at the initiative Permanent Secretaries.
- Undertake any special studies or assignments on behalf of Cabinet as a whole.

POSSIBLE CANDIDATES FOR HEADSHIP OF THE CIVIL SERVICE AMONG PRESENT
PERMANENT SECRETARIES

<u>NAME</u>	<u>AGE NOW</u>	<u>YEARS TO SERVE</u>	<u>CAREER SUMMARY</u>
Sir F Cooper	58	1½	Defence departments, 1946-70; CSD 1970-73; Permanent Secretary, NIO, 1973-76, MOD 1976-
Mr P J Harrop	55	5	DOE departments, 1949-73, including 2 years as Regional Director, Yorks. and Humberside; Treasury, 1973-76; Deputy Secretary, DOE, 1977-79, Cabinet Office, 1979-80; Second Secretary, DOE, 1981. (Intended to succeed Permanent Secretary, DOE, who retires in February 1985?)
Sir Robert Armstrong	54	6	Treasury, 1950-64; Cabinet Office, 1964-66; Treasury 1967-68; Principal PS to PM, 1970-75; Deputy and Permanent Secretary, Home Office, 1975-79; Secretary of the Cabinet, 1979-
Sir Kenneth Stowe	54	6	DHSS departments, 1951-73, including secondment to UN Secretariat, New York; Cabinet Office, 1973-75; Principal PS to PM, 1975-79; Deputy and Permanent Secretary, NIO, 1979-81, DHSS, 1981-
Sir Brian Cubbon	53	7	Home Office, 1951-61; Cabinet Office, 1961-63, 1971-75; Permanent Secretary, NIO, 1976-79, Home Office, 1979-
Sir Brian Hayes	52	8	MAFF, since 1956



005
Get
Hood

10 DOWNING STREET

From the Private Secretary

SIR DEREK RAYNER

The Prime Minister was grateful for your minute of 26 June asking if you could submit the report enclosed with it to the Treasury and Civil Service Select Committee. The Prime Minister is content for you to do so.

I am sending copies of this minute for information to John Wiggins (HM Treasury), Jim Buckley (Lord President's Office) and David Heyhoe (Chancellor of the Duchy of Lancaster's Office).

W. F. S. RICKETT

29 June 1981

J.P.

PRIME MINISTER

Prime Minister

Agree that Sir Derek
may submit this to
the Treasury and Civil
Service Select Committee.

Yes - submitted
not

TREASURY AND CIVIL SERVICE COMMITTEE

LH
26/6

As you mentioned in your letter to Mr Richard Shepherd MP of 15 June, I have been asked to let the Committee have an up-dated report. And I have been asked to give evidence to Dr Bray's sub-committee on value for money in the civil service. That will be on 15 July. By then the sub-committee will have seen the Comptroller and Auditor General, Lord Croham, the Head of the Government Accountancy Service and Sir Ian Bancroft.

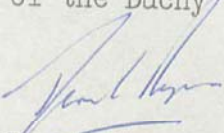
2. I should be grateful for your consent to my submitting the enclosed report.

3. Where necessary it cross-refers to the White Paper on Efficiency in the Civil Service which is due to be published on 1 July; if there was any substantial delay in publishing the White Paper, I would amend my report accordingly as I would deem it courteous to send it to the Committee at least a week before I give evidence. As you foreshadowed in your letter to Mr Shepherd, the progress report deals fairly fully with the question of "lasting reforms" (paragraphs 30 - 35), but I have omitted a reference to the annuality rule at the Chancellor's request.

4. I am checking a few references in the text or the annexed list of scrutinies with the departments concerned.

5. I should mention that I am speaking to the Parliamentary Press Gallery luncheon club on 8 July, when some of the matters covered by my report are bound to be raised.

6. This is copied for information to the Chancellor of the Exchequer, the Lord President of the Council and the Chancellor of the Duchy of Lancaster.


Derek Rayner
26 June 1981

NOTE ON PROGRESS WITH RAYNER EXERCISES

1. This is intended to update my Note of 8 July 1980. Where necessary, I cross-refer to the Government's recent White Paper on Efficiency in the Civil Service (Cmnd).

1979 "RAYNER PROJECTS": PROGRESS TOWARDS IMPLEMENTATION

2. Of the 29 "Rayner projects" undertaken in 1979 Ministers' decisions are outstanding in respect of two (Department of Energy: Organisation of R&D in New Energy Technologies; Civil Service Department: Charging for Courses at the Civil Service College). These are expected very shortly. Both were the subject of substantial follow-up work.

3. On the rest, some implementation has already occurred and will be completed this year and next in most cases. Ministers have generally accepted their examining officers' recommendations in full or subject to slight adjustment. The main exception to this is in respect of the DHSS study of Arrangements for Paying Social Security Benefits. Here policy considerations other than efficiency led to the rejection of certain recommendations with savings foregone as a consequence of £35-40 million a year.

4. The expected savings from projects on which decisions have been taken amount to £67 million per annum and £28 million once-for-all. (The DHSS project on benefit payments accounts for £35 million of the annual savings, to be achieved over the period to 1987/88.) The number of posts likely to be saved by 1984 amounts to some 1,500.

1980 SCRUTINY PROGRAMME

5. All 39 scrutinies undertaken in 1980 have been completed and reports submitted to Ministers. As with the 1979 projects, I have been impressed with the very high quality and enthusiasm of most examining officers. Importantly also Ministers and senior officials have involved themselves either in the course of the scrutiny or in follow-up.

6. These 39 scrutinies have identified potential savings of about £125 million per annum and 9,500 posts. Some £75-80m (5,000 posts) of these savings are associated with the joint DE/DHSS scrutiny of the Payment of Benefits to the Unemployed. As with the 1979 "Rayner projects" however not all scrutinies were aimed at direct savings (eg Health and Safety Executive scrutiny of methods and practices in assessing the costs and benefits of health and safety requirements). Moreover, in many cases, there were recommendations over and above those relating to money savings which would ensure a better quality service, improved staff morale etc.

7. In percentage terms some of the savings are even more substantial than last year (eg 80 per cent savings in staff employed by the Inland Revenue on the issue of PAYE Deduction Cards; 85% of DHSS costs incurred in support of health care exports).

8. Whilst some scrutinies have involved savings which are small in absolute terms - measured in thousands rather than millions of pounds - they are nonetheless important for all that. In particular, the smallness of an activity can sometimes cause it to be overlooked through time.

9. Ministers have taken firm decisions in 24 of the 39 scrutinies, securing savings of £22 million a year and 1,700 posts. In a further 5 scrutinies Ministers' decisions in principle are subject to the conclusion of consultation and further study; these involve potential savings of £80 million a year and 5,200 posts. Ministers have yet to take decisions in the remaining 10 of the scrutinies but are expected to do so in most cases over the next couple of months.

10. Where firm decisions have been taken, implementation has begun and will be completed in the main this year and next.

11. The greatest scope for improving the efficiency of Government will come as particular lessons are read across to other activities both between Departments and within Departments. CSD Ministers have been applying a central stimulus to this read across. In addition all Ministers have been informed of the findings of the scrutiny programme and précis have been circulated to all departments.

CURRENT SCRUTINY PROGRAMME

12. This year's programme will be conducted along the lines adopted last year. As before, I shall be associated with all the topics and especially closely with some which raise particularly important issues. On these I will report to the Prime Minister.

13. So far, 36 scrutinies have been agreed. They are shown in the attached list. In some cases there will be further scrutinies - as yet not chosen - in addition to those in the list.

14. Scrutinies which have already started or been completed are identified in the attached list.

REVIEW OF STATISTICAL SERVICES

15. Reports on the 22 statistical reviews carried out in Departments were submitted to the individual Ministers concerned by their officials last summer and autumn. I then reported to the Prime Minister and to the Lord President of the Council. The potential savings identified amounted to about £20m and up to 1,700 posts, but there were also important findings and recommendations about the future management of these services. Ministers have already firmly accepted recommendations from the review worth £12½ million^{1.}

1. Government Statistical Services, Cmnd. 8236

a year, with a substantial amount - about three-quarters - to be implemented by April 1982 and most of the remainder in the following year. Savings of a further £4½ million a year have been accepted in principle, subject to detailed consultation. Decisions on possible savings of up to another £2½ million a year will be taken soon. Together with other decisions taken by Departments since 1979 the effect will be to reduce expenditure by £25 million a year (2500 staff) by 1984.

16. I judge that the extension of the scrutiny technique to a subject which crosses many departments has been successful. The lessons learned in one can often be applied in another. The results should sharpen the contribution of the statistical services in departments and are in general a further vivid illustration that there is the ability in the Civil Service to respond to the Government's policies for managerial efficiency in the public service.

REVIEW OF SUPPORTING SERVICES IN R&D AND ALLIED SCIENTIFIC ESTABLISHMENTS

17. The technique of Service-wide review is being used again in the 1981 programme. One area is the supporting services provided to research and development and allied scientific work. Here, certain Ministers have appointed examining officers to find ways of improving cost-effectiveness and efficiency based on applying the scrutiny technique to a selection of large and small establishments in a co-ordinated manner. As with the statistics review, there should be scope for reading across from the findings in one establishment to the situation in others.

18. I am overseeing and co-ordinating the seven departmental studies, with the support of a small team in the Civil Service Department. The review is due to be completed by the end of the year when I shall report to the Prime Minister and Lord President of the Council.

REVIEW OF ADMINISTRATIVE FORMS

19. I am also overseeing a review of administrative forms, covering

- (1) reducing the volume and cost to industry of form-filling;
- (2) simplifying and making forms more intelligible; and
- (3) controlling the issue of new forms and reviewing existing ones.

20. Eight departmental Ministers have appointed examining officers to cover samples of forms in respect of (1) and (2) in para. 19 above. A central team in the CSD, which is also working in support of me, is responsible for co-ordinating the work of the review and for (3) in para. 19.

21. The review is due for completion at the end of September, when I shall report to the Prime Minister and Lord President of the Council.

22. Departments taking part in the R&D and forms reviews are identified in the attached list.

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

23. The first year's Ministerial scrutiny of departmental running costs (staff costs and overheads) has been completed.

24. Ministers on the whole considered the exercise useful and as one which increases both cost-consciousness generally and their own ability to exercise their management function. It was regarded as a useful starting point for further analysis and for reaching down into the running of departments. The scrutiny is being repeated this year.

25. I believe that the exercise has shown clearly that the administration of government is big business and that the control of these costs (amounting to £8,340 million, including notional costs for pensions and for the rental value of Crown property) is an essential component for the control of public expenditure generally.

REPAYMENT FOR PSA SERVICES

26. I have completed a study of the possibility of providing the accommodation services of the Property Services Agency (PSA) on repayment terms, in which I was very much assisted by a small working group of officials under Treasury chairmanship.

27. I have recommended that departments should pay PSA for accommodation provided on the UK Civil Estate (office, storage and specialised) and PSA Supplies, which is already a Trading Fund, for furnishings, transport etc. These recommendations

have been accepted and there will be a trial run in 1982/83 with a view to introducing the arrangements in 1983/84. PSA are now working up the detail with Departments.

28. My recommendations are aimed at strengthening departmental management. I am firmly of the view that the obligation to pay for what is consumed is a pre-requisite to sound management and cost-consciousness. There is an enormous difference in management terms between knowing what it costs somebody else to provide you with goods and services and having to find the money for them from your own budget. But there is also the very important argument that increasing departmental responsibility (eg for the environment in which the staff work) will make for better management.

29. Though capable of refinement, I believe that my proposals represent an important first step towards greater efficiency and economy in the use of accommodation as departments increasingly define need with an eye to cost.

RULES AND PROCEDURES WHICH INHIBIT EFFECTIVE MANAGEMENT
("LASTING REFORMS")

30. Work on "lasting reforms" may be most clearly presented in relation to people on the one hand and certain institutional arrangements on the other. Some of it is still at a comparatively early stage.

31. Work on "people" is designed to produce desirable changes and developments in the managerial culture of the Civil Service. The Civil Service Department is in the lead here, although it is acting in consultation with others, including me. The areas under consideration are:

- (1) Special recognition for success in grade; the accelerated advancement of individuals; the entitlement to automatic annual increments.

Ministers have decided to place the main emphasis here on ensuring that talented men and women are brought on as fast as possible.¹

- (2) A "model succession policy" for the Civil Service, so as to promote to management posts, especially the senior ones, individuals with the right track record.

Ministers have agreed arrangements, to be co-ordinated by the Civil Service Department, to improve existing "succession" arrangement to senior posts, including those of Principal Finance and Establishment Officers.²

1. The future of the Civil Service Department, Cmnd. 8170, paras. 31 and 32.

2. Efficiency in the Civil Service Cmnd. para. [18].

(3) Possible requirement that official heads of departments should give a regular, personal account of what they have simplified, diminished or saved and that departments should publish an annual statement of their achievement in this respect.

This is now covered by the draft papers to which I refer in para. 35 (2). below.

(4) A policy for enabling staff, especially those in staff-intensive departments, to give of their best.

I believe that such other reforms as departmental repayment for property services and the way in which talent is rewarded are also relevant to this policy. But the main issue is how senior management can best provide the right conditions of work - including such various factors as the intelligibility and applicability of the rules and procedures which have to be operated by staff and as the working environment.

32. Other work which is relevant to the use of people comprises the current CSD-led exercise on possibilities for shortening and making better use of the hierarchy (the Chain of Command Review)¹ and the DHSS pilot exercise on work in support of its Ministers' responsibilities to Parliament.

33. Work on "institutional arrangements" is intended to clarify the responsibilities for the management of resources of the central Ministers, of Cabinet and of Ministers as heads of particular departments. It assumes that because they themselves have limited time and opportunity, Ministers

1. The Future of the Civil Service Department, Cmnd. 8170 para. 35 and Efficiency in the Civil Service, Cmnd. para. 18.

must delegate much to their permanent officials who have the responsibility for securing and maintaining high standards of administration with suitable guidance and direction from the CSD and the Treasury. The areas under consideration are:

- (1) The aims and methods of central control and the balance between it and departmental control.

The Chancellor of the Exchequer has taken the lead in this and Ministers have agreed on a useful definition of the respective responsibilities of the spending and central departments.²

- (2) How best to express the managerial authority both of Ministers in charge of departments and of their Permanent Secretaries, so as plainly to establish the management functions of each and also to suggest what habits or routines would be most helpful to Ministers.

- (3) How best to define the responsibility and accountability of officials to Ministers via the Permanent Secretary, especially of those who occupy key management posts.

2. Efficiency in the Civil Service, para. 18.

I am preparing papers on these matters for discussion with Ministers and senior officials. Recent work by the Treasury on the memorandum of guidance and letter of appointment which it sends to a new Accounting Officer helpfully updates and clarifies the description of that important supplementary role.

(4) Clarifying the responsibility and authority of and the qualifications needed by Principal Finance and Establishment Officers; steady progression towards the employment of those qualified in financial management and management accountancy.

The CSD, with the Treasury's help has prepared memoranda for Principal Finance and Establishment Officers, to complement the papers noted above on the managerial authority of Ministers and Permanent Secretaries. The Treasury, CSD and the Head of the Government Accountancy Service also have work in hand on how best to give effect to the policy, now agreed, that Finance Branches should be staffed by officers with appropriate experience, training and qualification.^{1, 2.}

The crucial need here is to answer the questions, "What is financial management in the civil service? Who are the financial managers, whether in Finance

1. The Future of the Civil Service Department, Cmnd. 8170, para. 31.

2. Efficiency in the Civil Service, Cmnd. paras 17 and 18.

Branches or in line divisions? What skills and experience do they need? How are these best provided?"

(5) Strengthening the financial framework, with particular reference to the structure of Public Expenditure Survey programmes, their relationship with the organisation of departments and the presentation of information on departmental expenditure in the Supply Estimates.

The Treasury is in the lead on the improvement of financial control systems³. and has set up a small Financial Management Co-ordination Group to bring together or direct as appropriate the relevant work in hand, eg this year's scrutinies by the Department of the Environment on the feasibility of establishing local cost centres for the control of administrative costs and by the Ministry of Defence on financial management and control.

34. Although it has not been a part of my own programme, I have encouraged the development by the Treasury of cash planning of public expenditure, announced in outline by the Chancellor in his Budget speech. I believe that the focus on cost and value which this will promote will help to improve the

3. The Future of the Civil Service Department, Cmnd. 8170, paras. 26 and 27.

framework of financial management, and so support
the objectives of much of my own work described
in this report.

Derek Rayner
June 1981

PROGRAMME OF DEPARTMENTAL AND SERVICE-WIDE SCRUTINIES, 1981

Notes (1) The letters "R&D" and "F" indicate that the Department is also taking part in the reviews of supporting services for research and development and/or of administrative forms. (2) Other subjects may be added later.

<u>Department</u>	<u>Departmental scrutiny</u>	<u>Service-wide scrutinies</u>
Home Office	The Forensic Science Service.*	R&D; F
Foreign and Commonwealth Office (including Overseas Development Administration)	The generation and transmission of information. The use made of Diplomatic Service personnel overseas.	R&D (ODA)
Chancellor of the Exchequer's Departments HM Treasury	The Treasury's role in promoting efficient systems of financial control in Departments	
	Typing and secretarial services.*	
Inland Revenue	PAYE files and their contents. Repayment procedures in the claims and PAYE sections of tax divisions.* The administration of Schedule D tax	F
HM Customs & Excise	Procedures for dealing with and amending VAT registration and de-registrations.* The criteria for providing Customs facilities and the basis on which any charges for attendance should be made.*	F
Departmental for National Savings	Post Office errors. Operating procedures.*	

* Already in progress
/ Completed

<u>Department</u>	<u>Departmental scrutiny</u>	<u>Service-wide scrutinies</u>
Department of Industry	The organisation and staffing for determining the allocation of financial support for research, development and technology sponsored by the Department.*	R&D
Paymaster-General's Office	Declarations of entitlement for public service pensioners.*	
Civil Service Department	The delegation of authority to other departments.	Co-ordination of R&D and F
Department of Employment DE Manpower Services Commission Health and Safety Commission	Work permits administration.* Procedures relating to sponsor employers taking part in Special Programmes.* Approval testing and certification of products under the 1974 Health and Safety at Work Act.*	F
Ministry of Defence	Defence Sales Financial management and control* Defence telecommunications Group passenger travel* Dissemination of information	R&D
Ministry of Agriculture, Fisheries and Food	Fisheries research and the work of the Torry research station	R&D; F
Department of the Environment	Control of administrative costs in DOE central and scope for local cost centres. ✓ * Already in progress ✓ Completed	F

<u>Department</u>	<u>Departmental scrutiny</u>	<u>Service-wide scrutinies</u>
Property Services Agency	Custody service provided to departments having no such capability of their own. /	F
Scottish Office	Role, organisation, staffing and effectiveness of HM Inspectorate of Schools in Scotland.*	R&D
Welsh Office	Procedures for processing compulsory purchase orders and other orders/appeals.*	
Northern Ireland Office	Organisation, systems and deployment of resources in the NI Employment Service.*	
Department of Health and Social Services	Administrative implications of 'final relevant year' provision for pensions.* Handling of Casework in DHSS headquarters.*	F
Department of Trade	Handling of routine prosecutions by the Solicitor's Department.*	
Department of Energy	International work.*	
Department of Education and Science	Role, organisation, staffing and effectiveness of HM Inspectorate of Schools in England and Wales.* Victoria and Albert and Science Museums.	
Department of Transport	Winter maintenance of motorways and trunk roads.*	R&D; F

* Already in progress.
/ Completed



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Thank you for your minute A05120 of 19 June 1981 about the summons which Mr Ibbs has had to give oral evidence to a Sub-Committee of the Treasury and Civil Service Committee on the question of efficiency and effectiveness in the Civil Service.

I have shown your minute to the Prime Minister, and she is content for Mr Ibbs to write to the Clerk of the Sub-Committee on the lines of the draft you submitted.

JAW.

22 June 1981

*File AX
Cost
Plan*

AW

Ref. A05120

MR WHITMORE

A Sub-Committee of the Treasury and Civil Service Committee of the ^{19th} House of Commons is conducting an enquiry into "Efficiency and Effectiveness in the Civil Service". Witnesses already summoned include Sir Douglas Henley, Lord Croham, Mr Sharp (the Head of the Government Accountancy Service), Sir Ian Bancroft and Sir Derek Rayner.

2. The Sub-Committee have now invited Mr Ibbs to give oral evidence. He is reluctant to do so, and doubts whether he can really help the Committee:

(a) He has never worked in a Department; the CPRS is untypical and he has no direct personal experience which would enable him to describe how Departments are managed.

(b) While he has seen something of the working of Departments it has obviously been exceedingly patchy; if he were to talk upon the basis of that experience he could not only mislead the Committee but also damage his future working relationship with Departments.

3. Mr Ibbs does not wish to give evidence which is not helpful and could give the impression of being obstructive.

4. I propose to suggest to Mr Ibbs that he should reply to his invitation on --- the lines of the draft attached. I shall be glad to know whether the Prime Minister is content.


Agreed
mt

REA

ROBERT ARMSTRONG

19 June 1981

1
Prime Minister.
We can try this line on the Sub-Committee, but my guess is that they will persist in their demand to take evidence from Mr Ibbs. May he write as proposed? ^{19th}



DRAFT LETTER FROM J R IBBS TO C J POYSER, Clerk to the
Sub-Committee of the Treasury and Civil Service Committee,
House of Commons

Thank you for your letter of 12 June, confirming the invitation for me to give oral evidence to the Treasury and Civil Service Sub-Committee looking into "Efficiency and Effectiveness in the Civil Service".

While I should wish to assist the Sub-Committee if I thought that I could do so, the fact is that I do not think that I am in a position to be of any real assistance. I have never worked in a Government Department, and have no direct personal experience of how Departments are managed. What happens in the Central Policy Review Staff is quite untypical. What I have observed of the workings of Departments is very patchy, and I should not wish to rely upon it as the basis of expressing views to the Sub-Committee.

As I believe that any evidence which I could give would be unlikely to assist the Sub-Committee, I think that the right course must be for me to refrain from giving evidence and accordingly to decline the invitation that you have sent me.



*Conty
file AA*

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

FUTURE OF THE CSD

When the Prime Minister saw you yesterday afternoon she had a preliminary word with you about your minute AO4951 of 20 May 1981 about the future of the CSD.

You said that although this was not a matter requiring immediate decision, it would come to a head when thought began to be given to the question whether to replace Sir John Herbecq when he retired in the summer of next year.

The Prime Minister said that she did not see a service-wide role for the CSD. The Department was not the McKinseys of the Civil Service: they did not embody enough experience to have a credible advisory role on management. Moreover, the Civil Service comprised a number of constituent parts which differed sharply from each other in function and character, and this made it difficult for the CSD to exercise a worthwhile central role in the management field. She thought that it should be possible to distribute the responsibilities of the CSD to other departments and to run it down. For example, responsibility for manpower control and pay could go to the Treasury, and other functions could be transferred to the Cabinet Office. But she was not in a hurry to reach decisions and she would like to think further about the matter and come back to it with you and Sir Derek Rayner at a later date. If in the meantime you wished to talk to Sir Derek Rayner yourself, she had no objection.

JAW

22 May 1981

AA

This is a copy. The original
has been extracted and
closed, ⁴⁷40 years.

Ref. A04951

MR. WHITMORE

The other day the Prime Minister asked me: "What are we to do about the CSD?". Since our meeting on Thursday 21st May might give us a chance to pursue this question a little further, I thought that I would try to suggest a few options.

A1. No change

2. One possibility is to do nothing, wait for the retirement of Sir Ian Bancroft and Sir John Herbecq, and find a successor to Bancroft as Permanent Secretary of the CSD and Head of the Civil Service. A successor to Bancroft in both posts would need to be somebody of some existing seniority as a Permanent Secretary with four or five years ahead of him. The list would consist of Armstrong, Cubbon and Stowe. I do not rate my own qualifications for the CSD job very highly, and Stowe would only have had just over a year in the DHSS. So Cubbon would be the front-runner. He is managing the Home Office - his own old Department - effectively and sensibly, and he has the right ideas about the CSD (to concentrate on the large and important tasks and not consume resources in back-seat driving on matters of less importance which ought to be left to Departments). He would be a more than adequate Permanent Secretary of the CSD and Head of the Civil Service, * ~~~~~ *

3. I doubt whether Herbecq would need to be replaced, but if at that point Derek Rayner's unit was transferred to CSD, we might need a Second Permanent Secretary in charge.

A2. No formal change in functions of CSD, but divorce Head of Civil Service from Permanent Secretary of CSD

4. This would widen the range of choice for the successor to Bancroft, making it possible to go for a younger man, not necessarily an existing Permanent Secretary of some seniority, and someone with the best possible combination of experience and personal qualifications.

* ~ * Passage deleted and
closed, ⁴⁷40 years, under
a FOI Exemption
@Wayland, 28/7/2011

-1-

5. The CSD would not need a Second Permanent Secretary to replace Herbecq, but could need one for the Rayner scrutiny unit, if it was decided to put that unit in the CSD. The Prime Minister would have to nominate some other Permanent Secretary to advise her on senior appointments and honours. That could be either the Permanent Secretary of the Treasury, or the Secretary of the Cabinet, or a suitable "doyen of the corps" (if he was not one of those two). He could be called the Head of the Civil Service. I should prefer to abolish the title, but others (including Douglas Wass) take a different view: they think we need an identifiable "Head of Profession", who can take on the representational duties undertaken by recent Heads of the Service. I am sceptical about this: the representational duties belong to a concept of the job invented by William Armstrong when the CSD was set up, and I believe that, in so far as they need to be done at all, they could be shared out between three or four senior Permanent Secretaries.

B1. Transfer manpower, pay and efficiency functions of CSD to the Treasury

6. The Prime Minister decided not to proceed with that proposal because of the load on Treasury Ministers. Presumably those considerations still apply, although on merits I still think that this course has much to commend it. If it were followed, decisions would be needed on:

- (a) What to do about the personal management functions of the CSD (recruitment, training, welfare etc.): transfer them to the Treasury with the rest, or put them into some kind of Public Service Commission? If the latter, could Sir Ian Bancroft be its first head?
- (b) What to do about the duties of the Head of the Civil Service: see paragraph 5.
- (c) What to do about the Rayner scrutiny unit: presumably put it into the Treasury, with a Second Permanent Secretary in charge with direct access to the Prime Minister and Treasury Ministers.

B2. Federate the CSD and the Cabinet Office

7. It would be possible to bring the CSD and the Cabinet Office into a single Department under one Ministerial head (the Prime Minister) and one official head. There would need to be a second Minister to do the day-to-day CSD work. The

official head could continue to be designated Secretary of the Cabinet. He would take on the duties of the Head of the Civil Service. He would need at least two Second Permanent Secretaries, one to man the CSD part of the office and the other to be Deputy Secretary of the Cabinet, and perhaps a third to run the Rayner scrutiny unit. There would have to be a different perception of the way in which the Secretary of the Cabinet should do his job.

8. This would go a long way towards creating a Prime Minister's Department of the kind at one time envisaged by Mr. Ray Whitney. It would be seen as a highly centralising move, and one that increased the power of the Prime Minister in relation to her colleagues, and of the Secretary of the Cabinet in relation to his. It would therefore generate considerable suspicion. I put this option in for completeness, but I do not favour it. I still favour the transfer to the Treasury (B1). Failing that, I favour A2 - divorcing the Head of the Civil Service from the Permanent Secretary of the CSD, and finding the right sort of person to head the CSD.

RA

ROBERT ARMSTRONG

20th May, 1981

PART 3 ends:-

I. Gow to R. Whitney 14/2/81

PART 4 begins:-

RTA to CAW 20/5/81