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PREM 19/3016

MT.

PART 7

SECRET

BOX 86

CONFIDENTIAL FILING

The Organisation of the Treasury and CSD
The future of CSD
The Setting up of a Prime Ministers Department
Changes in the Machinery of Government.

GOVERNMENT MACHINERY

PT1: March 1980

PT7: June 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~16.6.87~~		~~28.4.89~~					
~~18.6.87~~		~~4.5.89~~					
~~25.6.87.~~		~~16-5-89~~					
~~16.7.87.~~		~~18.5.89~~					
~~13.7.87~~		~~2.6.89~~					
~~24.7.87~~		~~9-6-89~~					
~~29.7.87.~~		~~22.6.89~~					
~~7.8.87~~		~~7.7.89~~					
~~6.9.87~~		~~11.10.89~~					
~~7.9.87.~~		~~16.10.89~~					
~~24.9.87~~		~~22.11.89~~					
~~14.11.87~~		~~30.11.89~~					
~~16.12.87~~		~~4.12.89~~					
~~2.8.87~~		~~18.12.89~~					
~~19.4.87~~		~~21.12.89~~					
~~4.7.88~~		~~22.1.90~~					
~~21.7.88~~		~~20/3/90~~					
~~5.8.88~~		~~30.4.90~~					

Material used by official Historian DO NOT DESTROY

PREM 19/3016

PART 7 ends:-

SS DTP to SS Emp 29.6.90

PART 8 begins:-

BP to DTP 2.7.90

Prime Minister
Content?
BTP 29/6

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon Michael Howard QC MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

Yes mb

29 JUN 1990

Dear Michael,

RELOCATION OF THE RAILWAY INSPECTORATE

With the Prime Minister's agreement and yours, I wrote to the Chairman of the Health and Safety Commission last December to say that I was disposed to think that the balance of advantage might have shifted in favour of the transfer of the Railway Inspectorate to the HSE, provided that key safeguards for my position could be negotiated with the Commission. Dr Cullen agreed in principle. Since then officials have discussed the precise nature of the safeguards and how they would work in practice. I am now writing to let you know my conclusions and to seek your agreement to them.

The key safeguards would be as follows:

- I would retain my general accountability to Parliament for railway passenger safety and my existing statutory responsibilities under railway legislation;

- I would retain the decision whether an accident investigation under railway legislation was conducted and by whom (subject to consultation with colleagues where appropriate);

- the appointment of the Chief Inspecting Officer of Railways and his Deputy would require my approval;

- there would be a right of direct access between the Chief Inspecting Officer and myself on matters relating to the discharge of my functions;

- the Railway Inspectorate's identity would be maintained within the HSE. Significant changes to its work or organisation would require consultation and my prior approval; and

- there would be an annual discussion between the Chairman of the HSC, the Director General of the HSE and myself about the discharge of the Agency Agreement in the past year and the Commission's proposed plan of future work on railway safety.

I believe that this provides a sound basis for the transfer of the Railway Inspectorate and for an agency agreement with the Commission for the discharge of my railway safety responsibilities. Under the terms of section 13 of the 1974 Act, I should retain the function of making level crossing orders because the Commission cannot make legislative instruments.

With the help of the HSE, the Department has been able to deal satisfactorily with most of the concerns the staff have expressed about the effects of transfer on their terms and conditions of service. In particular, specific provision would be included in the agreement to alleviate the staff's fear that once in the HSE, the Inspectorate would lose its identity.

The agency agreement would provide for my Department to reimburse the HSE for the full cost of performing the delegated functions. Officials have agreed in principle the mechanism for transferring resources and for budgeting (the detailed figures will be agreed shortly). The effects would be neutral in PES terms.

The transfer would take effect as soon as accommodation and computer links were available at Baynards House. These facilities could not be ready before 1 October.

Although no change in Ministerial responsibilities is contemplated, there would be merit in taking this opportunity to clarify our respective accountabilities for railway safety. The letter from Mr Michael Foot dated 7 October 1975 which sets out the matters on which the HSC is answerable to different Ministers, including yourself, does not cover the point sufficiently. All that would be needed would be an exchange of letters between us recording that I am answerable to Parliament on all matters affecting railway passenger safety, and that the Commission will report to me to the extent that it has an important interest in passenger safety under section 3 of the Health and Safety at Work etc Act 1974; and that you remain accountable for employee safety matters under the 1974 Act. This would, of course, constitute a clarification, not a change in the allocation of Ministerial responsibilities.

To sum up: first, the discussions at official level have confirmed the managerial and other benefits of relocating the inspectorate. Second, satisfactory safeguards for my position are available. Third, I remain satisfied that I should be able to resist any pressure which the move of the Railway Inspectorate stimulated for my other transport safety functions to be transferred to the Commission. Fourth, I suggest we should take this opportunity to clarify the description in Michael Foot's letter of 1975 of the allocation of work between us. Finally, and subject to your agreement, I should like to make an agency agreement with the Commission. If you are content, I will write to Dr Cullen proposing an agreement and then announce the transfer by means of a Written PQ (draft enclosed).

I am sending copies of this letter to the Prime Minister, Norman Lamont, Patrick Mayhew, John Wakeham, Chris Patten and to Sir Robin Butler.

Yours ever,

CECIL PARKINSON

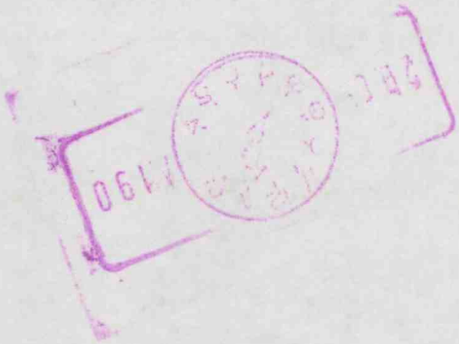
DRAFT INSPIRED PQ ON RAILWAY INSPECTORATE

Q. To ask the Secretary of State for Transport if he has reached conclusions on the future location of the Railway Inspectorate.

A. I have now completed my consultations with my Rt Hon Friend the Secretary of State for Employment and the Chairman of the Health and Safety Commission. It has been agreed that an agency agreement should be made with the Commission for the discharge of my railway safety functions and for the transfer of the Railway Inspectorate to the Health and Safety Executive, as a separately identifiable unit.

These arrangements will come into effect in the Autumn.

GOVT MACH : Changes in the
Machinery of Govt Part 7



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bc: PU

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

30 April 1990

Dear Phillip,

BOTTLED WATER

The Prime Minister has seen your Secretary of State's minute of 26 April and was content that responsibility for all bottled waters should be brought under the Ministry of Agriculture, Fisheries and Food.

I am copying this letter to Andy Lebrecht (Ministry of Agriculture, Fisheries and Food), Stephen Williams (Welsh Office), Martin Stanley (Department of Trade and Industry), Andy McKeon (Department of Health), Jim Gallagher (Scottish Office), Stephen Leach (Northern Ireland Office), Carys Evans (Chief Secretary's Office) and Sonia Phippard (Cabinet Office).

Yours sincerely
Andrew Turnbull

ANDREW TURNBULL

Phillip Ward, Esq.,
Department of the Environment.

88

CCPN.

Prime Minister
Content?
AT 28/4

Yes mt

PRIME MINISTER

I am writing to seek your agreement to a minor rationalisation of functions between my Department and the Ministry of Agriculture, Fisheries and Food (MAFF). Responsibility for two categories of bottled water (natural mineral water, and artificially carbonated mineral or spring water) already lies with MAFF but responsibility for any other bottled waters has fallen to my Department because I have overall responsibility for EC Directive 90/778 on the Quality of Water intended for Human Consumption. Existing UK legislation does not directly cover these other bottled waters.

The separate legal and administrative regimes for different types of bottled water have inevitably caused confusion to producers, local authorities and the public. The current Food Safety Bill will establish a single system of regulation under the Food Acts and the Food Hygiene Regulations for all types of bottled water. It is therefore logical for my responsibility in this area to be transferred to the Minister of Agriculture, Fisheries and Food. John Gummer concurs and wants to make regulations as soon as the Food Safety Bill receives Royal Assent.

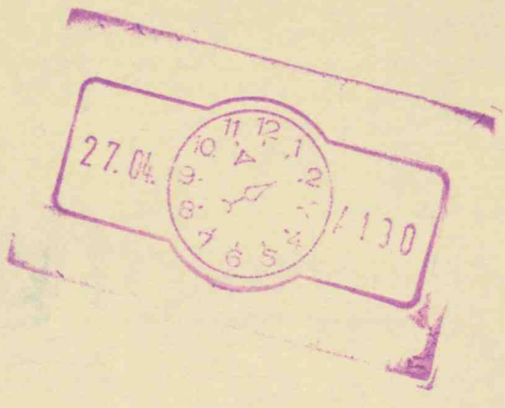
I seek your approval for the transfer, which has no public expenditure or manpower implications. If you agree, my Department will arrange for an announcement to be made as soon as possible.

I am copying this letter to John Gummer and to Peter Walker, Nicholas Ridley, Kenneth Clarke, Malcolm Rifkind, Peter Brooke, Norman Lamont and Sir Robin Butler.

CEJ Bush

pp CP
26 April 1990

(Approved by the Secretary of State
and Signed in his Absence)


27.04.
1130

CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . 5802
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon David Waddington QC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

26 March 1990

Dear David

Thank you for your letter of 2 March, concerning implementation of the recommendations of the Inter-Departmental Working Party on the Security of Explosives, and, in particular, the legislative proposals being prepared by the Health and Safety Commission.

I agree of course that the security of explosives is of paramount concern and am pleased to say that the Commission has now approved publication of a Consultation Document on the proposed Control of Explosives Regulations. These include all the legislative recommendations of the Working Party. I understand that Commissioners representing both sides of industry expressed strong support for the proposals and stressed the importance of bringing these Regulations forward as soon as possible. The usual three-month consultation period has been reduced to two months.

This very positive response should enable work to proceed on schedule, with all of the Working Party's legislative proposals coming into force in early 1991, at the latest.

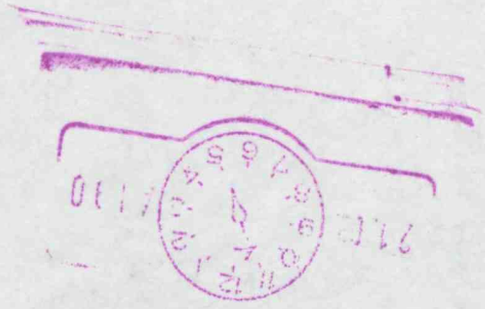
In conclusion, I would assure you again that I fully share your desire for the urgent implementation of all the Working Party recommendations and the Health and Safety Commission are fully aware of this.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Scotland, Trade and Industry, Transport and Sir Robin Butler.

Yours ever
Michael

MICHAEL HOWARD

Employment Department Group · Training Agency
Health and Safety Executive · ACAS



Clov MACH :

CSD Pt 7

CONFIDENTIAL

CCPU

NBPM CDS

QUEEN ANNE'S GATE LONDON SW1H 9AT

2 March 1990

Dear Michael

Thank you for your letter of 6 February about the report of the Inter-Departmental Working Party on the Security of Explosives. I am grateful for the welcome you give to the Working Party's recommendations and for your assurance that the Health and Safety Commission are fully appreciative of the urgency of the matter.

I take the point which you make about the desirability of moving forward, in implementing the recommendations, on the basis of consensus. It is right that the Commission should, through the consultation process, seek to persuade the industry of the need to co-operate fully and promptly in the introduction of the changes in their present practices which the report recommends. However, I do not think that attempts to obtain consensus should be allowed to delay implementation of these important recommendations.

In proposing a time-table for implementation, the Working Party took full account of the need for consultation with relevant parties. I hope you will be able to agree that if full agreement is not obtained the requirement for the security of explosives must be our paramount concern. We cannot run the risk of another incident like that at Bovey Tracey.

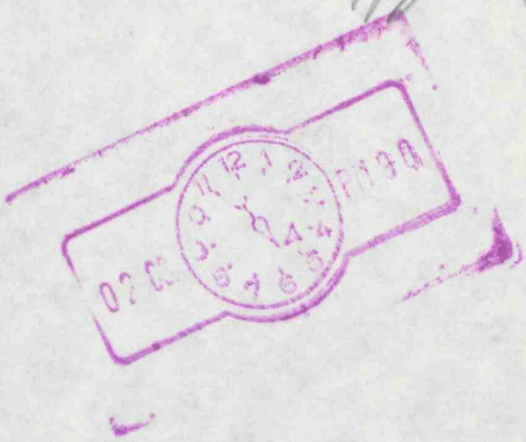
I know that my officials are in regular contact with those in the HSE on this matter and will give every possible assistance in ensuring that introduction of the Regulations keeps to schedule.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Scotland, Trade and Industry, Transport and Sir Robin Butler.

Yours ever
David

The Rt Hon Michael Howard, QC, MP
Secretary of State for Employment

CONFIDENTIAL



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CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . . 5802
Telex 915564 Fax 01-273 5821

Secretary of State

NBPM

MB

The Rt Hon David Waddington QC MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON SW1H 9AT

6 February 1990

Dear David

Thank you for the copy of the report of the Inter-Departmental Working Party on the Security of Explosives and your accompanying letter.

I welcome the Working Party's recommendations in this important area and agree that they should be implemented as a matter of urgency. I know that the Health and Safety Commission are aware of these recommendations and the Executive are giving priority to this work. I note one recommendation in the report is that you ask the HSC to advise you of the time required to draft suitable legislation. I understand that Dr Cullen, the Commission Chairman, has written to you on this matter.

Work is already proceeding in this area and HSC anticipate publishing a Consultative Document in the summer of 1990 with a view to the new Regulations being in force early 1991. However, the Commission as always will need to consult interested parties and considers that there may be some resistance by industry to some of the Working Group's recommendations. This would lead to some delay in implementation while attempts are made to resolve any difficulties. However given the importance of these Regulations and the significant implications which they will have for industry I think it is important that we agree on the need to move forward on the basis of consensus.

I would assure you, however, that the urgency of the matter is fully appreciated by the Commission and they will be using their best endeavours to get the Regulations through with the minimum of delay.

Secretary of State
for Employment

CONFIDENTIAL

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Scotland, Trade and Industry, Transport and Sir Robin Butler.

Yours ever
Michael

MICHAEL HOWARD

cst.ps/1nl2.2/lets

CONFIDENTIAL

CC HA

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon David Waddington QC MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

CDP 5/2.

5th **February 1990**

Dear David

INTER-DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES

You copied to John Major your letter of 15 December to Norman Fowler.

Provided colleagues can agree to absorb within existing expenditure provision any additional costs arising from the recommendations, I am content.

I am copying this letter to the Prime Minister, Michael Howard, Tom King, Nicholas Ridley, Malcolm Rifkind, Cecil Parkinson, Peter Brooke, and to Sir Robin Butler.

Yours

NORMAN LAMONT

Gov't mach: future of
CSD [illegible]

05 OCT 1990

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

CC PM.

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon David Waddington MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON
SW1H 9AT

My Ref: C/PSO/16901/89

Your Ref:

MBR

22 JAN 1990

RRG
23/1

Dear David,

INTER-DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES

Thank you for sending me a copy of the Working Party's report under cover of a copy of your letter of 15 December to Norman Fowler.

I have no specific comments to make on the report. I welcomed the opportunity for my Department to be involved in the review of controls in this important and sensitive area. Although none of the recommendations falls directly to my Department for action I will provide assistance, as necessary, to ensure speedy implementation of the Report's findings.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Scotland, Trade and Industry and Sir Robin Butler.

Yours ever,

CECIL PARKINSON

GOVT. MACH: Changes in Making of Govt. PT 7

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CONFIDENTIAL

cc PS

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 10/3S

16th January 1990

Dear David

INTERDEPARTMENTAL WORKING PARTY OF THE SECURITY OF EXPLOSIVES

Thank you for sending me a copy of your letter of ~~15th~~ 19th December together with a copy of the Working Party's report. I am content with the recommendations which affect my Department, and am grateful to the Working Party for taking account of MOD's concerns in this area.

Copies of this go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Scotland, Trade and Industry, Transport and to Sir Robin Butler.

Yours

Tom King

The Rt Hon David Waddington MP

CONFIDENTIAL

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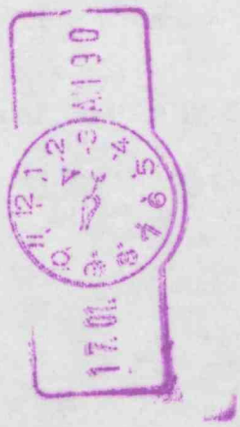

dti

the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon David Waddington MP
Secretary of State for the
Home Department
Queen Anne's Gate
London
SW1H 9AT

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01 215 5623
Our ref JW2AIZ
Your ref
Date 8 January 1990

Dear David

INTER-DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES

I am responding to your letter of 18 December to Norman Fowler, with which you circulated copies of the first report produced by the above inter-departmental Working Party.

I also endorse the recommendations contained within the report, and confirm that my officials will co-operate as necessary with your Department to ensure their speedy implementation.

I am copying this letter to the recipients of yours.

Yours ever
Nicholas

Recycled Paper

Govitmach: Fitney
CSO Pt 7

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UNCLASSIFIED

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

21st December 1989

Dear Cecil

LOCATION OF THE RAILWAY INSPECTORATE

Thank you for your letter of 18 December. I am quite content with your proposal to take a fresh look at the allocation of responsibility for rail safety matters if and when the Government proceed with the privatisation of British Rail.

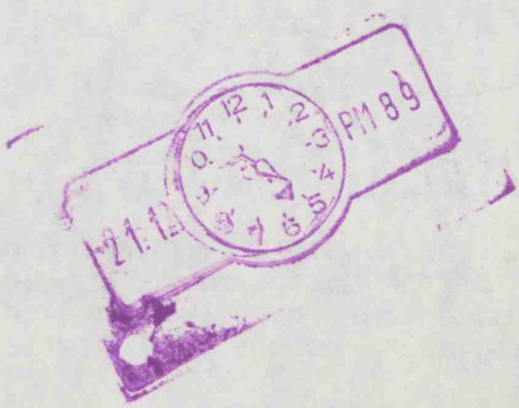
2 In the meantime, as I said in my letter of 4 December, I hope that the relocation of the Inspectorate can be carried out in such a way that the need for the Health and Safety Executive to exercise proper management responsibility will not be overlooked.

3 I am copying this letter to the Prime Minister, Norman Fowler, John Wakeham, Chris Patten, Patrick Mayhew and to Sir Robin Butler.

NORMAN LAMONT

GWT MACH: Future of CSD

pt 7









THE DEPARTMENT
OF TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

cc PM

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

My Ref: C/PSO/16239/89

Your Ref:

NBPM
BRCG
19/12

18 DEC 1989

Dear Norman,

LOCATION OF THE RAILWAY INSPECTORATE

Thank you for your letter of 4 December about my proposal that the staff of the Railway Inspectorate should be transferred to the Health and Safety Executive and that I should make an Agency Agreement with the HSC for the discharge of my safety responsibilities under railway legislation.

I am grateful to have your support for this proposal. Central to it, however, is my belief that the present allocation of statutory responsibilities - as distinct from the location of staff - between the Commission and myself should not be changed. The Commission is concerned primarily with the health and safety of employees. The public and Parliament quite rightly see me as having the responsibility for passenger safety and for the funding of the railways. I believe it is right to maintain this distinction and that is why I am not attracted by your suggestion that I should consider transferring my statutory responsibility to the Commission.

However, if we were to proceed with the privatisation of BR, we should of course need to look at this afresh.

I am copying this letter to the Prime Minister, to the Secretaries of State for Employment, Energy and the Environment, to the Attorney General and to Sir Robin Butler.

Yours Ever,

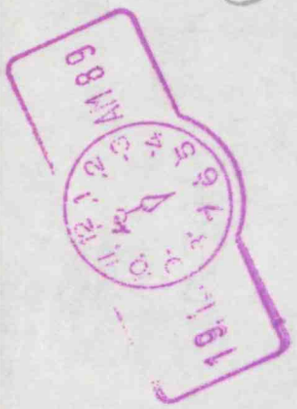
Cecil

CECIL PARKINSON

Gov Mach

Organisation of HMG BCSy

Pt 7.



COVERING CONFIDENTIAL

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

15 December 1989

Dear Norman,

NBPM
CDL 18/12

INTER-DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES

Earlier this year, following the theft over the Easter week-end of a cache of explosives from a magazine store at Bovey Tracey, Douglas Hurd, after consulting colleagues, set up a working party of officials, on which interested Departments and the police were represented. The working party's remit was to review the existing controls on the security of explosives and to consider what changes might be required.

... I enclose a copy of the Working Party's report. I would draw your attention in particular to chapter 5, which details the Working Party's recommendations, and makes proposals for their implementation. The Working Party concentrated upon making practical recommendations for action which should be acted upon without delay.

Some of the recommendations can be implemented by administrative action. Others require secondary legislation: a convenient vehicle appears to be the Control of Explosives Regulations currently being prepared by the Health and Safety Executive (HSE). You will see that implementation of a number of the recommendations requires administrative action by HSE. Tom King will wish to note particularly recommendations 5.2(i) and (ix) which affect the Ministry of Defence.

I endorse the recommendations in the report and would hope that we will now work together to see that they are promptly implemented.

Subject to any comments you or other colleagues may wish to make, I will ask my officials, consulting other Departments

/as necessary to

The Rt Hon Norman Fowler, MP
Department of Employment
Caxton House

COVERING CONFIDENTIAL

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

15 December 1989

Dear Norman,

NBPM
ADJ. 18/xii

INTER-DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES

Earlier this year, following the theft over the Easter week-end of a cache of explosives from a magazine store at Bovey Tracey, Douglas Hurd, after consulting colleagues, set up a working party of officials, on which interested Departments and the police were represented. The working party's remit was to review the existing controls on the security of explosives and to consider what changes might be required.

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Some of the recommendations can be implemented by administrative action. Others require secondary legislation: a convenient vehicle appears to be the Control of Explosives Regulations currently being prepared by the Health and Safety Executive (HSE). You will see that implementation of a number of the recommendations requires administrative action by HSE. Tom King will wish to note particularly recommendations 5.2(i) and (ix) which affect the Ministry of Defence.

I endorse the recommendations in the report and would hope that we will now work together to see that they are promptly implemented.

Subject to any comments you or other colleagues may wish to make, I will ask my officials, consulting other Departments

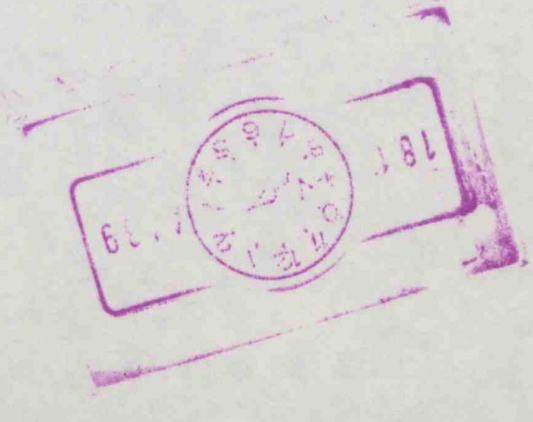
/as necessary to

The Rt Hon Norman Fowler, MP
Department of Employment
Caxton House

as necessary, to implement those recommendations for administrative action for which my Department has responsibilities as a matter of urgency. I should be grateful for your co-operation, and that of colleagues, in ensuring action on those other recommendations for which your Departments are responsible in accordance with the timescale suggested in Chapter 5 of the Report.

Copies of this letter, together with copies of the report, go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Scotland, Trade and Industry, Transport, and Sir Robin Butler.





The National Archives

DEPARTMENT/SERIES PREM 19 PIECE/ITEM 3076 (one piece/item number)	Date and sign
Extract details: REPORT OF THE 1989 INTER DEPARTMENTAL WORKING PARTY ON THE SECURITY OF EXPLOSIVES	
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Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

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MANAGEMENT IN CONFIDENCE

CCfU.

NBPM
RRCO
4/12

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

4 December 1989

Dear Cecil

LOCATION OF THE RAILWAY INSPECTORATE

Thank you for copying to me your letter of 3 November to Norman Fowler, proposing that the Railway Inspectorate should be relocated within the Health and Safety Executive (HSE). I have also seen Norman's reply of 21 November.

2 I agree that such a relocation should increase confidence in the Railway Inspectorate. I am therefore content that it should go ahead as you suggest. My agreement is, of course, conditional on the relocation being PES neutral.

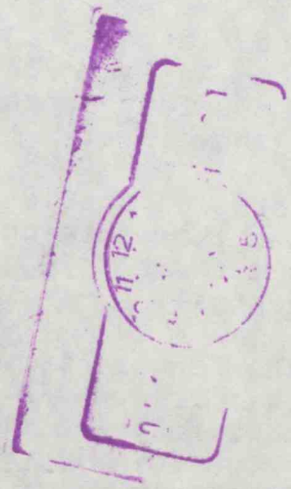
3 My own view is that in the longer term it would be worth considering transferring total responsibility for the Railway Inspectorate to the Health and Safety Executive (rather than just locating them there). I hope you will give further thought to this possibility. Such a move would help allay any remaining doubts about the proper enforcement of safety standards. I appreciate, however, that a change on these lines would require legislation and could therefore only be implemented when a suitable legislative vehicle became available.

4 In the meantime, it will be important that your Department's continuing relationship with the Railway Inspectorate does not unnecessarily conflict with the need for clear lines of management responsibility within the HSE, or with their ability to get priorities for the use of their resources.

5 I am copying this letter to the Prime Minister, Norman Fowler, the Attorney General, John Wakeham and Chris Patten and to Sir Robin Butler.

NORMAN LAMONT

GOVT. MACH: future of CSD PT7



MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

30 November 1989

Dear Roy,

RELOCATION OF THE RAILWAY INSPECTORATE

The Prime Minister has seen your Secretary of State's letter to the Employment Secretary of 3 November, and the Employment Secretary's reply giving his agreement in principle to an approach to the Health and Safety Commission to discuss relocation of the Railway Inspectorate.

She is content for such discussions to go ahead, and has commented that the credibility of the Inspectorate should be enhanced by making it more independent. She notes that your Secretary of State, and colleagues with similar responsibilities for public safety, expect to be able to deal with any pressure which the move may stimulate for them to delegate or transfer other safety functions to the Health and Safety Commission.

I am copying this letter to the Private Secretaries of the Secretaries of State for Employment, Energy and Environment, the Chief Secretary, the Attorney General, and Sir Robin Butler.

Yours,
Paul

PAUL GRAY

Roy Griffins Esq
Department of Transport

MANAGEMENT IN CONFIDENCE

Ref. A089/3125

MR GRAY

Location of the Railway Inspectorate

Further to your minute of 27 November, please find attached a draft letter for you to send to the Private Secretary to the Secretary of State for Transport recording the Prime Minister's views on the relocation of the Railway Inspectorate.

Trevor Woolley

T A WOOLLEY

30 November 1989

GR
Retype for my signature. PRC 6 30/11

~~Draft~~ of 30 November

~~DRAFT~~ LETTER FOR THE PRIME MINISTER'S PRIVATE SECRETARY TO SEND TO THE PRIVATE SECRETARY OF THE SECRETARY OF STATE FOR TRANSPORT

Relocation of the Railway Inspectorate

The Prime Minister has seen your Secretary of State's letter to the Employment Secretary of 3 November, and the Employment Secretary's reply giving his agreement in principle to an approach to the Health and Safety Commission to discuss relocation of the Railway Inspectorate.

She is content for such discussions to go ahead, and has commented that the credibility of the Inspectorate should be enhanced by making it more independent. She notes that your Secretary of State, and colleagues with similar responsibilities for public safety, expect to be able to deal with any pressure which the move may stimulate for them to delegate or transfer other safety functions to the Health and Safety Commission.

I am copying this letter to the private secretaries of the Secretaries of State for Employment, Energy and Environment, the Chief Secretary, the Attorney General, and Sir Robin Butler.

Gov't MACH: future of CJD Pt 7



MANAGEMENT IN CONFIDENCE

SH

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN BUTLER

LOCATION OF THE RAILWAY INSPECTORATE

Thank you for your minute of 21 November which the Prime Minister has now seen, together with the earlier papers.

She has concluded that the first of the options set out in your paragraph 6 should be adopted, and has commented that by making the inspectorate independent, its credibility would be enhanced.

Perhaps I could now take up your offer of a draft reply to send to the Secretary of State for Transport's office.

PAUL GRAY

27 November 1989

EK

10 DOWNING STREET

Prime Minister

Do you favour (i) or (ii) in my minute below?

RRCG

23/11

Option (ii).

MF

PRIME MINISTER

LOCATION OF THE RAILWAY INSPECTORATE

Cecil Parkinson's note at Flag A raises a machinery of Government issue you will want to consider.

He proposes that the Railway Inspectorate should be transferred from the Department of Transport to the Health and Safety Executive. This would not of itself affect Ministerial responsibilities: the HSE already reports jointly to several Secretaries of State. But it would be a significant organisational change.

Mr. Parkinson's minute indicates he has considered whether such a change would have implications for the future of other Inspectorates within his Department and within other Departments. But he concludes there should be no other changes.

The proposed change has now been supported by Norman Fowler (Flag B). And the Policy Unit (Flag C) also supports it.

But Robin Butler (Flag D) has doubts. He feels that the implications for other public safety responsibilities may not have been adequately thought through. He suggests the options are:

i) accept that Mr. Parkinson should go ahead with the Railway Inspectorate change, relying on the conclusion of other Ministers that they should resist pressure to make similar transfers of responsibility for other similar bodies.

ii) Resist the Railway Inspectorate proposal until there has been a more thorough study, co-ordinated by the Cabinet Office, of the implications for other public safety responsibilities.

I agree - this would make the Inspectorate independent and ∴ enhance its credibility' mts

Which option do you favour?

Option (i)

PRCG.

PAUL GRAY

22 NOVEMBER 1989

a:railway.mrm

Ref. A089/3059

MR GRAY

The Railway Inspectorate

Mr Parkinson's letter of 3 November asks whether Mr Fowler would support moves to co-locate the Railway Inspectorate with the Health and Safety Executive (HSE), providing that satisfactory safeguards for the Transport Secretary's position can be negotiated with the Health and Safety Commission.

2. The proposal does not amount to a transfer of Ministerial responsibilities. The Health and Safety Commission already have responsibilities for the health and safety of railway passengers, which the Railway Inspectorate now discharges on its behalf. In the form proposed the change would not affect the Transport Secretary's accountability to Parliament for railway safety, although the Commission would in future discharge these responsibilities under an Agency agreement.

3. These proposals may be a sensible move, which will reinforce public confidence in the independence of the Inspectorate, and underline that they are not muzzled by the Department. But I am a little nervous about this change being made in isolation since it is liable to raise questions about other safety responsibilities exercised by Departments. There may indeed by a case for involving HSE in a wider range of public safety inspection and enforcement functions. Mr Parkinson mentions that he has considered the future of the Marine Accident Investigation Branch and the Air Accident Investigation Branch in his Department, but concluded that they differ from the Railway Inspectorate in that they exist solely to conduct accident investigations, and because the industries concerned are in the

private sector. You will recall that, in the wake of the Piper Alpha disaster, the unions pressed for transfer of responsibilities for safety on offshore oil-rigs to be transferred to the Health and Safety Executive.

4. I am advised that other Departments consulted so far have taken the view that the proposals made by Mr Parkinson could be implemented without creating difficulties for them. However relocation of the Railway Inspectorate would be bound to reopen pressure for further centralisation of the Government's public safety functions in the Health and Safety Executive.

5. I understand that Mr Fowler is likely to agree the proposals in principle, and that Treasury Ministers may question the extent of the controls which the Transport Secretary intends to retain over the Railway Inspectorate.

6. I think that there is a choice of two responses. On the one hand, the Prime Minister may feel content for Mr Parkinson to go ahead with this change, relying on the conclusion of other Ministers that they could resist any pressures which it stimulated for them to delegate or transfer their powers to the Health and Safety Executive. Alternatively, the Prime Minister could ask Mr Parkinson not to proceed with his proposal (for which there does not seem to be any immediate pressure and which might be seen at present as a response to the Clapham Rail Inquiry), at least until there has been an opportunity to consider with more care the implications for other areas in which Ministers and the Health and Safety Commission have closely related responsibilities for public safety. This should include accident prevention (safety standards and their enforcement) as well as the two accident investigation inspectorates which Mr Parkinson mentions. As several Departments are involved, and machinery of government issues will be raised, I would ask the Machinery of Government Division to co-ordinate the exercise and report.

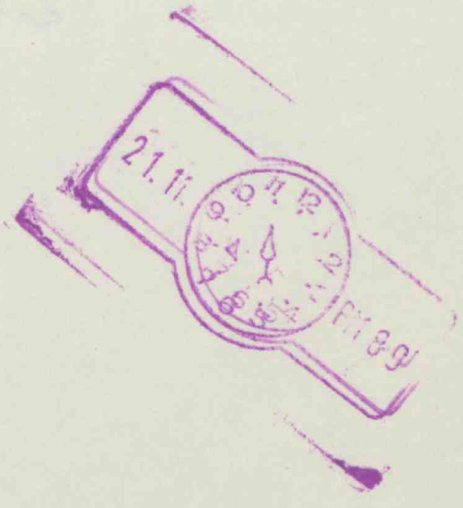
7. In the light of the Prime Minister's decision I will offer a draft reply for you to send to Mr Parkinson's office.

R.R.B.

ROBIN BUTLER

21 November 1989

TRANSPORT: BR finances
Pt 10



CCPU

B

CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
Telephone 01-273 5802
Telex 915564 Fax 01-273 582

Secretary of State

The Rt Hon Cecil Parkinson MP
Secretary of State for Transport
2 Marsham Street
LONDON
SW1P 3EB

Dear Cecil.

LOCATION OF RAILWAY INSPECTORATE

Thank you for your letter of 3 November proposing terms for a transfer of the Railway Inspectorate to the Health and Safety Executive.

The proposed transfer seems to me to have considerable presentational and practical advantages and the safeguards which you outline are all acceptable to me. I therefore welcome your proposal. Detailed questions, such as the precise PES arrangements, will need to be discussed at official level in due course.

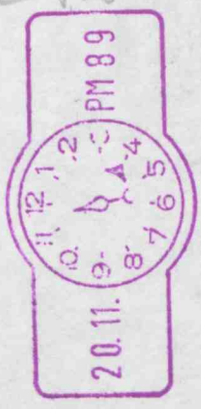
If the Prime Minister and the colleagues to whom you copied your letter are content, I am happy for you to formally approach the Chairman of the Health and Safety Commission.

I am copying this letter to the recipients of yours.

Yours ever,

NORMAN FOWLER

TRANSPORT : BR fares pr 10.



RESTRICTED

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

cc: Miss C Sinclair

PUBLIC HEALTH ISSUES

The Prime Minister discussed with you today your minute of 9 November. She said that in general she was reluctant to make machinery of government changes unless a clear cut improvement was likely to emerge. There was little advantage merely in re-drawing the boundary. In the case of food safety it was inevitable that both MAFF and DoH would be closely involved. Shifting greater functions to MAFF, as in Option A, would not, in her view, eliminate the need for close co-operation between the two Departments. She therefore preferred to leave responsibilities as they are, as suggested in Option C, but with further efforts being made to improve liaison.

ANDREW TURNBULL
10 NOVEMBER 1989

RESTRICTED

PRIME MINISTER 9 November 1989

RELOCATING THE RAILWAY INSPECTORATE

Cecil Parkinson is suggesting moving the Railway Inspectorate from the Department of Transport to the Health and Safety Executive (HSE). He believes the move will have both political and managerial attractions. Perhaps, more importantly, it would be attractive on safety grounds.

Politically, it is argued that public confidence might be enhanced if the Railway Inspectorate were operating at arms length from DTp Railways Directorate, (the railway policy and financing arm of DTp.)

Managerially, the Inspectorate would be strengthened by being alongside the other inspectorates within the HSE.

The safety case, which is not brought out in the paper, is perhaps the most convincing. Putting the Railways Inspectorate inside the HSE would allow it for the first time to be truly independent. Independent both from political/departmental pressure and from pressure exorted by BR and LUL.

Responsibility for safety must be with railway management. They have to devise systems, practices and methods to ensure that safety remains the top priority. However, the management must know that they can be independently audited at any time. Independence is the key to audit. Perhaps the most telling reason for change is that it has been reported that both BR and LUL would dislike the move as it would destroy "a rather cosy arrangement".

RECOMMENDATION

Agree to Cecil Parkinson's proposal. He will need to handle the timing and presentation with care.

GREG BOURNE

CSPD

Prime Minister
You will want to discuss these conclusions and recommendations with FERB.
AT 9/11.

Ref. A089/2926

MR TURNBULL

Public Health Issues

In my minute of 4 August I reported that I was asking an official group to review, in advance of next session's Food Bill, the allocation within central government of responsibilities for public health, with particular reference to food safety. The group was also asked to look at the relationship between central government and local authority environmental health and trading standards departments in relation to food safety.

2. The group has now finished its work, and I have discussed the conclusions with Permanent Secretaries and officials in the Department of Health, Treasury, MAFF, DOE, DE, the Scottish Office, and with the Chief Medical Officer.

Present Responsibilities

3. The Group concluded that the present distribution of responsibilities, though it is understood by those who operate it and works reasonably well in practice, is difficult to explain and to justify. Annex A shows the present complex division of lead responsibilities. Although most food safety regulations are jointly signed by the Secretary of State for Health and the Minister of Agriculture Fisheries and Food, the Department of Health (DH) leads on food hygiene and microbiological contamination, except in respect of milk production and distribution, hygiene of meat and meat products, and eggs, where the lead lies with MAFF. MAFF leads on chemical contamination of food, although it takes advice on health risks from DH. DH, informed by the network of Public Health Laboratory services and the arrangements for monitoring and control of communicable

diseases, operates a hazard warning system to deal with emergencies when unfit food poses an immediate hazard to health, whether the contamination is microbiological or chemical. There are cascade arrangements to issue warnings to local authorities when batches of unfit food need to be withdrawn.

4. MAFF lead on the negotiation and implementation of European Community Directives which have a bearing on food safety, and on emergency measures under the Food and Environmental Protection Act when a pollution incident threatens the food supply.

5. This distribution of responsibilities has not changed in any fundamental respect since the Transfer of Functions Order in 1955, when responsibilities for food hygiene regulations, which had been with the old Ministry of Food, were returned to the Ministry of Health.

The options for change:

6. The Group identified three options for machinery change:

(a) Transfer of food hygiene responsibilities to MAFF, except for medical advice and the DH hazard warning system.

(b) Transfer of all oversight of safety aspects of food production, processing and distribution to DH.

(c) Improved arrangements for liaison and direction of effort concerning the microbiological safety of food, without transfers of functions.

Option A

7. MAFF find the present arrangements workable but unsatisfactory. Option A represents a considered case for change. It would transfer the lead on food safety legislation

and regulation making, whatever the product, to MAFF, giving them the lead on microbiological as well as chemical contamination.

8. The CMO and his advisers would continue to advise on food-related public health matters; they would assess the risks to human health of particular organisms and substances in food stuffs, and advise on the standards to be set for particular contaminants, both microbiological and chemical. DH would continue to lead on the contribution made by the Public Health Laboratory Service and the Communicable Diseases Surveillance Centre, which provide the microbiological assaying services and information network that informs the hazard identification system and provides much of the basic data for health advice. DH would continue to be responsible for the investigation, co-ordination and control of serious outbreaks of food-borne infection, including decisions on shelf-clearing when products causing infection are withdrawn.

9. MAFF argues these changes would put them in a better position to implement policy and regulations across the whole of the food chain. They see the following advantages:

- the changes would unite the central government lead on advisory, regulatory and inspection functions from the primary producer to the retailer or caterer, bringing MAFF's expertise in science and food technology more effectively to bear.

- they would reinforce the steps already taken by the Ministry to underline the priority given to food safety and the consumer's interests, and demonstrate that producer concerns are not dominant.

- they would enable the Ministry to respond more coherently to the European Commission's developing

interest in food safety measures which bite on all parts of the food production, processing and retail chain, from farm and animal food stuffs to the ultimate consumer.

- they would overcome the potential for confusion where responsibilities split at different points of the production process, and strengthen the Minister's ability to respond to public concerns on all food safety and food quality issues.

- the Minister of Agriculture, Fisheries and Food is looked on as the Minister responsible for the safety of the food supply and his position is not fully credible if he does not have lead responsibility for regulations on all aspects of food safety.

If the change cannot be made now, they would like the option kept open so that it can be looked at again, perhaps in the light of how opinion develops during the passing of the Food Bill.

10. I have some sympathy with this as a practical case. Shared and joint responsibilities always have their pitfalls and those for food safety are particularly complex. Option A would tidy these responsibilities, and is in line with the Government's general approach in distinguishing between the Department of Health's overall responsibility for public health including analysis and advice, and other Departments' responsibility to implement that advice in their specialist fields. However there is clearly a presentational difficulty with Option A at the present time when the reliability of the Government's advice on food safety is questioned and there are calls for an independent agency to regulate food safety. The changes proposed would move against distancing responsibilities for regulation of an industry from the functions of economic regulation and sponsorship, ie separating gamekeepers from poachers (as, for

example, on the cleanliness of rivers). Notwithstanding the creation of the Food Safety Division of MAFF which separates food safety and production sponsorship functions, switching responsibilities from the Department of Health to MAFF would appear to give more control of regulation to the Department which sponsors production: it would therefore be controversial.

11. The Department of Health is strongly opposed to Option A because they consider there is an important practical distinction between chemical and microbiological contamination of food. Microbes multiply and need not rely on the food chain for transmission. It is often necessary to take very rapid action to deal with hazards, without the time for consideration of options that might be available in relation to chemical contamination, for example nitrates or pesticide residues. The number of reported cases of food poisoning (running at something of the order of 800 a week) is increasing, and DH feel that their Secretary of State is held responsible by Parliament when health problems arise. The Chief Medical Officer sees particular difficulty in leaving DH with responsibility for emergency action, while transferring to MAFF the lead relationship with Local Environmental Health Officers in the routine surveillance of the microbiological safety of food. DH point out that the arrangement for local Environmental Health Officers (EHOs) to work to the local public health doctor is mirrored in the responsibility the DH's Environmental Health Officers (who advise EHOs) working to the Department's medical officers (who advise local public health doctors).

12. On balance, with the exception of MAFF, there is no strong pressure for Option A. Some, particularly the Department of Health, think that the case is not made on merits: others, while thinking that Option A would be a tidier and more logical arrangement, believe that this is not an easy moment for the Government to transfer powers from DH to MAFF. The latter view is the one I myself hold.

Option B

13. As mentioned above, DH are strongly opposed to Option A, and if the case for unification of responsibilities which are at present divided is found attractive, they would prefer Option B. They do not otherwise wish to press it, and would be content, if Option A is rejected, with Option C.

Option C

14. Both MAFF and DH are agreed that the advisory committee structure, and the arrangements for surveillance of chemical contamination of food, need to be extended or duplicated to deal also with microbiological food safety. The present Food Advisory Committee, the Steering Group on Food Surveillance, and its ten Working Groups, do not cover microbiological hazards.

15. The Richmond Committee is likely to recommend that a separate system of microbiological surveillance should be implemented on the lines of the present arrangements for dealing with chemical contamination. There would be advantages in announcing such a decision, at least in outline, when the Food Bill is debated. Officials will examine and report further on whether the most efficient organisational solution is to extend the scope of the present advisory committees, or to add to their number. I propose that the Machinery of Government division in the Cabinet Office should chair a working group to produce further recommendations on this aspect.

Better co-ordination between central and local government on enforcement

16. The Group also examined the arrangements for co-ordination between central and local government on food safety enforcement. This is not directly a machinery of government issue, and MISC

138 has already considered Departments' proposals on mechanisms and resources for food law enforcement.

Public Health Committee chaired by the Chief Medical Officer

17. Departments are also agreed in supporting a recommendation that the Chief Medical Officer should chair a small group of officials to review and draw lessons from the way the Government machinery has reacted to recent cases when a new threat to public health has emerged, whether through contaminated food or water or environmental pollution. The group will focus on technical rather than policy issues, and examine in particular whether more can be done to develop early warning of hazards, so that medical advice can be given promptly. It will pick out the key features to monitor, so as to reduce the risk of future problems, and this work will enable us to consider more permanent strategic overview machinery. The Group will include representatives of DH, MAFF, DOE, HSE and the territorial departments, and the Machinery of Government division here in Cabinet Office.

Justification of the present distribution of responsibilities

18. If the Prime Minister agrees with the recommendation that there should be no change in the present division of lead responsibilities for food safety, it is important that there should be a clear and agreed account of the rationale for the present arrangements. I suggest this takes the following line:

(a) the primary role of the Department of Health in this area is to give advice as necessary to the rest of government on what constitutes a health risk and on what tolerable levels and standards other departments should adopt in dealing with those health risks; and to take emergency action when immediate hazards to health are identified.

(b) The policies of almost every Government Department can have implications for health, and the protection of public health is given the highest priority by all Departments. Where Departments exercise regulatory responsibilities - as for example DOE with drinking water, and MAFF with food - they take expert advice from the Chief Medical Officer, and health experts both inside and outside government.

(c) In general the Department of Health is not the lead department in making regulations to control particular public health hazards, but there is an important exception where the microbiological safety of food is concerned. This is because of the nature of the hazards. Unlike chemical contaminants microbes in food multiply, they can infect people both through the food chain and through person to person contact. DH is best placed to identify the source of hazards to consider ways of preventing them, and to ensure that they are effectively dealt with, except in areas where prevention rests primarily on veterinary knowledge and skills - meat, milk and eggs.

Conclusion

19. Is the Prime Minister content:

i. that the present distribution of lead responsibilities for food safety should remain unchanged for the time being, though kept under review in the light of how opinion develops during the passing of the Food Bill?

ii. that officials should examine and report further on the modification or extension of the present framework of advisory committees to cover the microbiological safety of food?

iii. that the CMO should chair an interdepartmental group on hazards to public health from contamination which would review the adequacy of arrangements for hazard identification and advance warning, technical advice on health matters and emergency action?

iv. that the principles underlying the distribution of responsibilities should be described, in the context of the Food Bill, on lines consistent with those set out in paragraph 18?

FE.R.B.

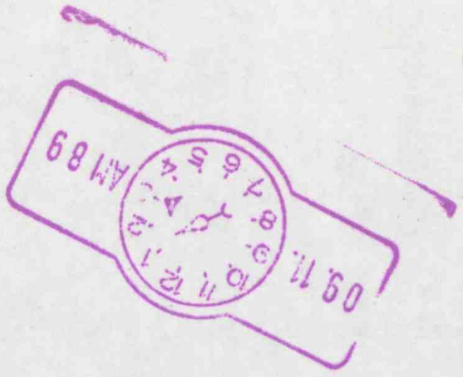
ROBIN BUTLER

9 November 1989

Sections of the 1984 Food Act	Lead Departments	Content
Sections 1-7	MAFF	Composition and labelling of food
Sections 8-11	DoH	Food unfit for human consumption
Section 12	MAFF	Products of knacker's yards
Sections 13-15	DoH	Hygiene of food
Sections 16-20	DoH	Registration of premises and licensing of vending vehicles
Sections 21-26	DoH	Control of food premises
Sections 27-30	DoH	Sale of ice-cream and horseflesh and cleansing of shellfish
Section 31	DoH	Inspection and control of infected food
Sections 32-47	MAFF	Milk etc.
Sections 48-49	MAFF	Cream standards
Sections 50-61	DoE	Markets
Sections 62-67	DoH	Food sale by hawkers
Sections 68-70	MAFF	Sugar beet and cold storage
Sections 71-75	MAFF	Food authorities
Sections 76-86	MAFF	Sampling and analysis
Sections 87-91	MAFF	Powers of enforcement
Sections 92-107	MAFF	Legal proceedings
Sections 108-109	MAFF	Compensation and arbitration

GOVT MACH: Future of CSD

09.11. AM 89



MR TURNBULL 9 November 1989

PUBLIC HEALTH: MACHINERY OF GOVERNMENT ISSUES

I have now seen the report prepared by the Cabinet Office on the split of responsibilities for food safety. Robin Butler will be minuting to the Prime Minister with his recommendations. He is unlikely to send her the full report.

2. The report identifies three options:

A Transfer of all food hygiene responsibilities to MAFF, except for the provision of medical advice.

B Transfer of the leading role in all food safety surveillance and regulation to DOH (but MAFF would still be involved, with the State Veterinary Service reporting direct to DOH on some matters)

C No change in basic responsibilities, but better arrangements for liaison and direction of effort on microbiological safety.

3. The report brings out the mish mash of the present arrangements. They are hard to comprehend inside Whitehall let alone outside it.

4. The arguments for A are pretty strong, especially now that MAFF seem to be getting their act together on food safety. The arguments for B are almost wholly presentational. They really only run if it is accepted that MAFF cannot be trusted with food safety.

5. Because DOH will not accept A, and MAFF will not accept B, Robin Butler is likely to recommend C - minimal change.

6. There are arguments for agreeing to C at this stage:-

(i) MAFF and DOH need to co-operate in any system. An option pushed through now in the teeth of opposition would make co-operation more difficult.

(ii) While the present split between MAFF and DOH is messy, it is not clear how far it has actually created problems. The Audit Commission report, due next summer, may throw some light on this.

(iii) Because the Audit Commission will be looking at what happens on the ground (the sharp end), its recommendations will complete the picture in important respects. We should not change the MAFF/DOH responsibilities until we have seen the whole picture.

(iv) EC pressures are pushing us in the direction of more central controls on food safety to ensure consistent standards. The Audit Commission's findings may point in the same direction (expenditure on environmental health per head of the population varies by a factor of one to three from council to council). The real need for organisational change is probably in the balance between central and local controls, not between MAFF and DOH.

7. We may end up altering the balance between MAFF and DOH as a consequence of exerting greater central direction on food safety matters. We might decide to follow the Health and Safety model, with certain food safety controls enforced directly by the centre, and others left to local authorities. If we did go down this route (and I guess we will), one

option would be to hive off both MAFF's and DOH's regulatory functions to a Next Steps Agency responsible to both their Ministers.

8. At present all this is open. The Food Safety Bill has been designed not to close any doors. It will take a little time for officials in MAFF and DOH to get used to these ideas, and to accept the pressures towards greater central involvement. Meanwhile there seems little point in having a major wrangle now about the split of responsibilities between MAFF and DOH.

CAROLYN SINCLAIR

OIO

THE DEPARTMENT OF TRANSPORT

A

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

MANAGEMENT IN CONFIDENCE

3 November 1989

The Rt Hon Norman Fowler MP
Secretary of State for Employment
Caxton House
Tothill Street
London SW1H 9NF

Dear Norman,

LOCATION OF THE RAILWAY INSPECTORATE

Last March, in the light of the Fennell Report, Paul Channon wrote to the Chairman of the Health and Safety Commission to say that he saw the need for a fresh look at whether new arrangements were desirable to give assurance of efficiency and effectiveness across all the functions performed by the Railway Inspectorate. My officials have been considering this and have had some very helpful discussions with officials from your Department, the HSE and other interested Departments. The purpose of this letter is to tell you my conclusions and to seek your agreement to what I propose.

Under railway legislation the main statutory responsibilities of the Secretary of State for Transport are for:

- the approval of new works (stations, lines and electrification);

- accident investigation;

- approval of level crossings;

- approval of light railway orders

The Railway Inspectorate exists to assist the Secretary of State in the discharge of these functions. Contrary to public perception, the Inspectorate does not have an independent statutory existence; it is one of the divisions of the Department of Transport.

The Health and Safety Commission has its own statutory responsibilities for railway staff. Moreover, under section 3 of the 1974 Act, these responsibilities extend to the health and safety of passengers, as well. The Commission has made an agency agreement with my predecessors and me for the Railway Inspectorate to discharge the HSW Act functions on the Commission's behalf.

The thinking about the future of the Railway Inspectorate, has been based on two key assumptions. First, I should retain both my general accountability to Parliament for railway safety and my existing statutory responsibilities for passenger safety. Second, the Health and Safety Commission should retain its statutory responsibilities. No change in the law or in the allocation of Ministerial responsibilities is, therefore, contemplated. (We should, however, need to review the present law if BR were to be privatised, but that is a longer-term issue).

These assumptions still leave for consideration the question where best to locate the Railway Inspectorate's staff. There are two main choices: either to keep the Inspectorate where it is in this Department, or to transfer the staff to the HSE and to make an agency agreement with the Commission for the discharge of my responsibilities under railway legislation.

The arguments for and against each of these options have been aired on a number of occasions. In the past, we have taken the view that the balance has rested with maintaining the existing arrangements. I am now inclined to think, however, that the balance of advantage may have shifted in favour of the location of the Inspectorate in the HSE provided that satisfactory safeguards for my position can be negotiated with the Commission.

The main arguments that incline me towards transferring the staff to the Executive are political and managerial. Politically, public confidence in the Inspectorate might be enhanced if it were seen to be separate from the rest of my Department. Managerially, there would be some benefits from putting the Railway Inspectorate alongside the other Inspectorates which form part of the Executive.

There would, however, also be risks. Railway safety has a very high public profile and an Inspectorate which was remote from my concerns - including the efficient and economic operation of services - would not be tolerable. Transfer would, therefore, be conditional upon including the following safeguards into any agreement with the Commission:

- the appointment of the Chief Inspecting Officer of Railways and his Deputy should require my approval;

- I should retain the decision whether an accident investigation under railway legislation was conducted and by whom; and

- there should be a right of direct access between the Chief Inspecting Officer and myself.

Discussions at official level suggests that it should be possible to reach agreement along these lines.

In reaching this view, I have also considered the future of the other Inspectorates within my Department - the Marine Accident Investigation Branch and the Air Accident Investigation Branch. They differ from the Railway Inspectorate because they exist solely to conduct accident investigations and because the aviation and shipping industries - like the off-shore oil and gas industry - are in the private sector. The fact that I am directly accountable to Parliament for BR and London Underground adds to the importance of the Railway Inspectorate being seen to be at arms length from the rest of my Department.

The proposal to relocate the Railway Inspectorate is, of course, of direct interest to you and I should be glad to know if it would have your support. It would also be of interest to some of our colleagues. I am, therefore, sending copies of this letter not only to the Prime Minister and the Chief Secretary but also to the Secretaries of State for Energy and the Environment and the Attorney General and Sir Robin Butler.

If you are content, the next step would be for me to make a formal approach to the Commission.

Yours ever,

CECIL PARKINSON



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 10/12L

16 October 1989

Dear Andrew,

TRANSFER OF RESPONSIBILITY FOR THE OIL AND PIPELINES AGENCY FROM THE DEPARTMENT OF ENERGY TO THE MOD

My Secretary of State has seen the minute to the Prime Minister from the Secretary of State for Energy of 29th September and your letter of 11th October. He is content to assume sponsorship for the Oil and Pipelines Agency on 23rd October and is content with the terms of the draft announcement.

Yours sincerely

(B R HAWTIN)
Private Secretary

Andrew Turnbull Esq
10 Downing Street

GOUT MACH: changes in Mach. of Govt

pr 7

TILE

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

11 October 1989

Dear Stephen,

TRANSFER OF RESPONSIBILITY FOR THE OIL AND PIPELINES AGENCY FROM THE DEPARTMENT OF ENERGY TO THE MOD

The Prime Minister has seen your Secretary of State's minute of 29 September seeking her agreement to the transfer of responsibility for the Oil and Pipelines Agency (OPA) from the Department of Energy to the Ministry of Defence and setting out the terms of an announcement planned for 23 October.

The Prime Minister is content for this transfer of function to go ahead, and for your Secretary of State to announce the changes along the lines he proposes. She notes that the Ministry of Defence intend to retain OPA as managing agent for the Government Pipeline and Storage System for an interim period of two or three years, and hopes that arrangements can then be made which would allow the Agency to be wound up.

I am copying this letter to Brian Hawtin (Ministry of Defence), Carys Evans (Chief Secretary's Office), and to Sir Robin Butler.

Yours sincerely,

Andrew Turnbull

ANDREW TURNBULL

Stephen Haddrill Esq
Department of Energy

8

Prime Minister

Agree that

(i) responsibility for OPA be transferred to MOD

(ii) OPA be retained as agents to manage GPSS, but

(iii) it remains the intention to wind up OPA (this will require legislation).

AT 9/10

Ref. A089/2568

MR TURNBULL

Yes no

Transfer of Responsibility for the Oil and Pipelines Agency from the Department of Energy to the Ministry of Defence

file with AT

The Secretary of State for Energy's letter of 29 September proposes the transfer of formal responsibility for the Oil and Pipelines Agency (OPA) from the Department of Energy to the Ministry of Defence. The proposal has been agreed by the Secretary of State for Defence and the Chief Secretary. It follows the announcement last year, with the Prime Minister's agreement, of the transfer of the Government Pipeline and Storage System (GPSS) to MOD. In agreeing that proposal the Prime Minister hoped that the Secretary of State for Defence would be able to dispense with the OPA when alternative arrangements can be made. (See Mr Wicks's minute to Mr Hadrill of 1 October.)

2. Mr Wakeham's minute makes the following points:

- The only remaining function of the OPA is to manage the GPSS. The collection and sale of North Sea oil taken as Royalty in Kind has ceased, together with other minor functions.

- MOD have decided to retain the Land Pipelines Division of OPA as managing agent for the GPSS for an interim period of two or three years, while they decide on the best way of managing it in the longer term. The Prime Minister's preference that the Secretary of State will be able to dispense with the OPA altogether at a later stage is therefore still in play.

- Transfer to MOD now gives them sole responsibility for deciding the future of the Agency. Any liabilities arising from OPA's former oil trading activities will remain with the Department of Energy.

3. An announcement is proposed on 23 October, and a draft inspired Question and Answer is attached. The transfer can be achieved by administrative action.

4. The proposal is consistent with the earlier transfer of GPSS, and the Prime Minister may therefore wish to agree it. If so, I attach a draft letter for you to send to PS/Secretary of State for Energy.

Trevor Woolley

T A WOOLLEY

9 October 1989

DRAFT INSPIRED PQ

QUESTION To ask the Secretary of State for Energy whether he retains responsibility for the Oil and Pipelines Agency.

ANSWER Following the Government's decision to cease taking Royalty in Kind from 31 December 1988, the work of the Oil and Pipelines Agency has been progressively wound up and its only remaining role is that of Managing Agent for the Government Pipeline and Storage System (GPSS). In accordance with the decision announced by my predecessor in October last year (Col 206/15.2.88), responsibility for the GPSS was transferred from the Department of Energy to the Ministry of Defence on 1 April 1989. The Ministry of Defence has decided to retain the Oil and Pipelines Agency as Managing Agent for the GPSS and responsibility for the Agency is therefore being transferred today with the approval of my Rt Honourable Friend, the Prime Minister to my Right Honourable Friend, the Secretary of State for Defence.

DRAFT LETTER FOR PS/PRIME MINISTER TO SEND TO PS/SECRETARY OF STATE FOR ENERGY

TRANSFER OF RESPONSIBILITY FOR THE OIL AND PIPELINES AGENCY FROM THE DEPARTMENT OF ENERGY TO THE MOD

The Prime Minister has seen your Secretary of State's minute of 29 September seeking her agreement to the transfer of responsibility for the Oil and Pipelines Agency (OPA) from the Department of Energy to the Ministry of Defence and setting out the terms of an announcement planned for the 23 October.

The Prime Minister is content for this transfer of function to go ahead, and for your Secretary of State to announce the changes along the lines he proposes. She notes that the Ministry of Defence intend to retain OPA as managing agent for the Government Pipeline and Storage System for an interim period of two or three years, and hopes that arrangements can then be made which would allow the Agency to be wound up.

I am copying this letter to the Private Secretaries of the Secretary of State for Defence, the Chief Secretary and Sir Robin Butler.

Gov'n MACH: Future 00 (SD)
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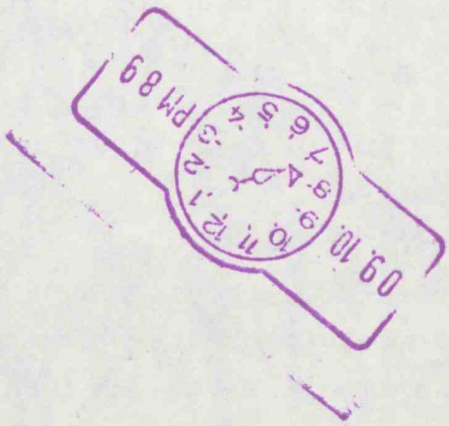
09.10. 9. 10. 11. 12. 1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. PM 89



CC FERS

Prime Minister

at first

Last October you agreed that responsibility for the Government Pipeline and Storage System (GPSS) should be transferred from the Department of Energy to the Ministry of Defence on 1 April 1989.

As you may recall, my Department employed the Oil and Pipelines Agency (OPA) for two prime functions: first, as Managing Agent for the GPSS and secondly to collect and sell North Sea Oil taken as Royalty in Kind. With the decision to cease taking Royalty in Kind from 31 December 1988 the other functions of OPA have been progressively wound up and management of the GPSS is now the only task remaining to the Agency.

The Ministry of Defence have decided to retain the Land Pipelines Divison of OPA as Managing Agent for the GPSS for an interim period of two to three years whilst they gain experience of running the system and decide on the optimum arrangements for managing it in the longer term. In these circumstances it is appropriate for the Ministry of Defence to take over full responsibility for OPA at this point. This will not only enable them to make appointments to the Board of Directors (due for renewal in November) but also give them sole responsibility for deciding on the future of the Agency once their long term plans for managing the GPSS are settled. (The minimum required by be Act is one part time Chairman, and two part time directors - cost approx £15,000 a year)

I have therefore agreed with Tom King and Norman Lamont that formal responsibility for sponsorship of the residue of the Oil and Pipelines Agency (now only 16 staff of the Land Pipelines Division) should be transferred to the Ministry of Defence as soon as possible. Any liabilities arising from the Agency's former oil trading activities, ie collection of Royalty in Kind and responsibility for completing the termination of participation agreements, will remain with my Department.

I should be grateful for your agreement to this proposal. As the Oil and Pipelines Act 1985 refers simply to "the Secretary of State" as responsible for the functions of the Agency, the transfer can be achieved by administrative means and announced by written PQ. I attach a copy of the proposed text. The intention would be for the handover to take effect from the date of this announcement, which, subject to your agreement I am planning to make on 23 October. The announcement should cause little, if any, publicity.

I am copying this minute to Tom King, Norman Lamont and Sir Robin Butler.

Secretary of State for Energy
29 September 1989

DRAFT INSPIRED PQ

QUESTION To ask the Secretary of State for Energy whether he retains responsibility for the Oil and Pipelines Agency.

ANSWER Following the Government's decision to cease taking Royalty in Kind from 31 December 1988, the work of the Oil and Pipelines Agency has been progressively wound up and its only remaining role is that of Managing Agent for the Government Pipeline and Storage System (GPSS). In accordance with the decision announced by my predecessor in October last year (Col 206/15.2.88), responsibility for the GPSS was transferred from the Department of Energy to the Ministry of Defence on 1 April 1989. The Ministry of Defence has decided to retain the Oil and Pipelines Agency as Managing Agent for the GPSS and responsibility for the Agency is therefore being transferred today with the approval of my Rt Honourable Friend, the Prime Minister to my Right Honourable Friend, the Secretary of State for Defence.



Gov't MACH: Changes
in the USD Pt

05.10.
1989

Ref. A089/2160

NBPM at this stage. DKF to AT on 4/9/89 so that he is aware.

NBPM at 4/9/89

MR TURNBULL

RRC 6 4/8

Public Health Issues

~~with AT?~~ - flag.

In my minute to you of 4 July on possible Machinery of Government changes, I said that I would be holding a meeting with those concerned about the scope for clarifying the borderline between the Department of Health and the Ministry of Agriculture concerning food safety issues, with the forthcoming Food Bill especially in mind.

2. This I have now done, and it is clear that there are some anomalies and uncertainties about the borderline. The outcome of the meeting was agreement that there should be a quick review of two issues:

(a) the allocation within central government of responsibilities for public health, with particular reference to those for food safety; and

(b) the relationship between central government and local authority environmental health and trading standards departments in relation to food safety.

The review team, led by machinery of government division here and with participation from the main departments concerned (principally Health, MAFF, DOE and HSE), has been asked to recommend improvements, including consideration of possibly

improved co-ordination arrangements, by the end of September. This timetable will allow adequate time for decisions to be reached ahead of the introduction of the Food Bill later in the autumn.

3. This is work, of course, being undertaken on the basis, confirmed recently by the Prime Minister, of the present structure of Departmental responsibilities: no-one is envisaging more than marginal boundary adjustments at most. But as you know, this area has been bedevilled by uncertainty about the existing allocation of responsibilities, and it may be that improvements can be made simply by achieving agreement on what this is. I shall report the outcome, and any recommendations for changes, to you.

4. On (b), the group may have some recommendations for strengthening the relationship between central government and those who have statutory responsibility for enforcing food safety standards in local authorities. This is a potential area of vulnerability for the government during the passage of the Food Bill. Any proposals in this area will be put to MISC 138 for Ministers to consider.

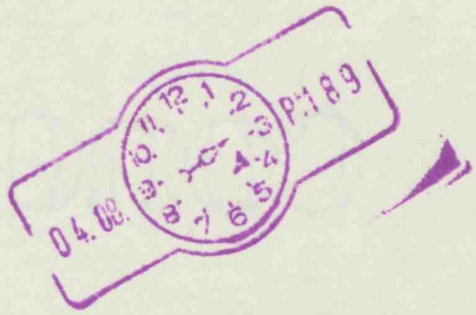
R.R.B.

ROBIN BUTLER

4 August 1989

GOVT MASH. Changes
in Govt mach
pt 7

04.08. P.189



PERSONAL

Prime Minister

Content to use this both publicly and with new Sofs?

AT 21/7

Ref. A089/1966

MR TURNBULL

Future of the Department of Energy

In your minute of 7 July, you asked for advice on a form of words on the future of the Department of Energy which might accompany the announcement of the forthcoming Ministerial changes.

2. I suggest the following line, which could be used by Mr Ingham in background briefing:

> "The Prime Minister's present expectation is that work in the energy area will justify the retention of a separate department at least until the end of this Parliament."

These words are designed to be positive enough to give reassurance to staff while providing just enough flexibility for the Prime Minister to change her mind. Sir Peter Gregson, whom I have consulted about this, would prefer to avoid a public linkage between the Department's future and electricity privatisation as the timetable for privatisation is not publicly known, tends to be assumed to be shorter than is actually likely, and would encourage speculation on the timetable.

3. An opportunity to place the form of words I have suggested on the public record on an attributable basis will arise when the Prime Minister replies to Sir Eldon Griffiths' letter of 13 July - to which end we shall be letting you have a draft next week.

F.E.R.B.

ROBIN BUTLER

21 July 1989

PERSONAL

SECRET: MANAGEMENT IN CONFIDENCE

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File
AD
7 84

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

MACHINERY OF GOVERNMMENT CHANGES

The Prime Minister was grateful for the paper attached to your minute of 4 July. As your minute recognised, she does not wish to pursue the option of breaking up the different functions of MAFF. When she discussed this with you today, she did not rule out any of the remaining options, but concluded that she did not wish to make any changes this year. She noted that something would need to be said about the future of the Department of Energy, so that it did not continue under a kind of planning blight. Could you consider what form of words might be used when it is announced that no change is being made.

You pointed out that it would soon be necessary to decide on who should be the new Permanent Secretary at the Department of Energy. If your recommendation remains unchanged, I can re-submit your minute of 21 June to seek confirmation of it.

AT

7 July, 1989.

SECRET: MANAGEMENT IN CONFIDENCE

6(A-I)

Ref. A089/1794

MR TURNBULL

Machinery of Government Changes

Your minute of 22 June with AT? asked for a note reviewing current ideas for changes to the structure of Government. I attach such a note, from which I draw the following conclusions.

A Green Department?

2. It would be possible to split the Department of the Environment to form a green department and a department for housing and local government (however named). The resulting green department would be exceptionally small - smaller than the present Department of Energy, and with a narrower range of responsibilities.

3. The green department could be expanded to a limited extent by adding to it MAFF's countryside and rural land use responsibilities, although some of the policies affecting those responsibilities would necessarily continue to be determined at least partly by agriculture Ministers, and would be subject to negotiations in the Agriculture Council in Brussels. It might also take in energy conservation from Energy and marine pollution from Transport. The creation of such a department would certainly raise the profile of environmental issues in government. But there must also be a very real risk that expectations would be raised in a way that would not easily be fulfilled, given the limited powers and expenditure at the new Department's disposal, and its consequent lack of clout in Whitehall.

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4. An alternative way to give a higher profile to green affairs would be to retain the structure of existing Departments but to appoint a high profile Minister of State in DOE with responsibility for all DOE's environmental interests, for handling the "Green" Bill planned for the next session, and perhaps also for Planning matters.

A Department of Consumer Affairs?

5. The Prime Minister also mentioned the idea of creating a consumer affairs department, separately or jointly with a "green" department. A consumer affairs department would have as its core the consumer affairs division of DTI, and probably the DTI's competition policy functions including oversight of the Office of Fair Trading and the Monopolies and Mergers Commission. At this level, it would be even smaller than the Department of Prices and Consumer Protection under the last Labour Government, which was also responsible for price control. To this could be added more of DTI's regulatory responsibilities, eg for insurance and financial services; and/or policy towards recently privatised utilities and oversight of their regulatory offices (OFTEL, OFGAS, OFWATER etc).

6. I see little attraction overall in any of these options. The core consumer functions are too small to warrant a full Secretary of State Department of their own. Taking in more of DTI's regulatory work would facilitate the absorption of Energy or some of Employment's functions; but would also reverse the long term strategy of making trade and regulatory work the dominant aspect of DTI's work by comparison with its industry sector work. Regulation of the big privatised utilities in the consumer interest cannot sensibly be divorced from the wider economic context (eg the international telecommunications market, the position of gas in relation to oil and other fuels), and in any case the policy over time should be to make these businesses more normally competitive, not to highlight their ex-nationalised

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status. Nor should consumer functions be naturally brigaded with "green" functions - the problems are very different, as are the skills and knowledge needed to tackle them.

Abolish MAFF?

7. MAFF could in theory be abolished, with the bulk of its work going to DTI (dealings with the farming, fisheries and food industries, negotiations on CAP), and some parts to the Department of Health (food safety) and to the green department (land use). The Prime Minister's speech at Stoneleigh ruled out the possibility. There has been criticism recently, for example the report from the National Consumer Council, that MAFF was not credible as a regulator of food safety because it was in the pockets of farmers and the food industry. In practice, such a split would have been difficult to achieve (for the most part, MAFF's present structure does not separately identify these three interests), and could in practice detract from food safety by diffusing responsibilities for the food chain as a whole. It would also mean that if energy and/or employment functions were to be merged into DTI, DTI would become too large and have to be split (see paragraph 9).

8. An alternative is to expand MAFF by taking in some of DOE's countryside and conservation functions, to give it a greener tinge. But this would tend to fragment DOE's treatment of general planning and land use questions (urban and rural); would not contribute to a better handling of the big environmental issues, which are mainly industrial and global; and would not help the Government's position on food safety.

Conclusion

9. There may be scope for clarifying the borderline between Health's and Agriculture's responsibilities for food safety: I propose to hold a meeting with those concerned and will report further when I have done so. Apart from that, I do not believe

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that there is a strong case for changing the responsibilities of Health or MAFF, or splitting DOE. Greater priorities sooner or later are the future of Energy and, in due course, Employment. In the short run, I would recommend that the choices which the Prime Minister could make are:

i. Whether the Department of Energy should be merged with DTI now or not until at least 1991;

ii. Whether small firms and tourism should be transferred back from Employment to DTI (covered in my submission on the future of the Department of Energy);

and perhaps

iii. Whether the Prime Minister gives more emphasis to "green" issues by appointing a senior Minister of State or even a second Minister of Cabinet rank at DOE with responsibility for those issues. If so, the same Minister might also take over responsibility for the Inner Cities if the DTI were to lose its second Cabinet Minister.

R.E.R.B.

ROBIN BUTLER

4 July 1989

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SECRET
MANAGEMENT IN CONFIDENCE

MACHINERY OF GOVERNMENT ISSUES CONCERNING A GREEN DEPARTMENT, MAFF, A DEPARTMENT OF CONSUMER AFFAIRS, AND THE DEPARTMENT OF EMPLOYMENT

A. A "Green Department"

1. The core of such a department would be the environmental protection group of DoE, which includes Her Majesty's Inspectorate of Pollution and DoE's interest in rural affairs and waste disposal. To this could be added DoE's responsibilities for water (flotations imminent), including sponsorship of the new National Rivers Authority which will have a major environmental protection role alongside HMIP; and more controversially DoE's planning and land use functions (including the planning inspectorate). DoE's heritage and sports functions could be added as makeweights. Between 5 and 15 posts at G3 and above might be involved. The remainder of DoE (in fact by far the larger part) would become in effect a Department of Housing and Local Government (taking also the DoE inner cities responsibilities).

2. Functions which might be brought in from other departments include MAFF's responsibilities for marine envirionmental protection, flood defence, and pesticides and infestation; and possibly MAFF's responsibilities for (alternative) agricultural land use. DTp has responsibilities for pollution caused by vehicles and shipping which might also be transferred. These additions might involve around a further 3 G3 posts.

3. Creation of a new department headed by Cabinet Minister would undoubtedly give greater visible priority to "green" issues. Questions to be considered are:

(i) would a small department as this would be, with limited powers and a small budget, have sufficient clout with the rest of Whitehall?

(ii) would it have sufficient powers (mainly of regulation) to have a real impact, or would it be mainly a co-ordinator/cheerleader?

(iii) if it were given important powers, e.g. in the planning field, would the government be willing to give a higher priority to environmental protection against economic development, housing or transport than hitherto?

B/TURNBULL

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(iv) would its powers cover economic as well as environmental regulation of (some) industries, (e.g. the water industry, unless an alternative home is found for that). If not, is there a "burden on business" problem?

(v) how big a "rural" bias would be appropriate, given that the big environmental issues are industrial and global?

B. Abolition of MAFF

4. In principle, MAFF's present functions could be divided three ways:

(i) its responsibilities for the farming, fish and food industries transferred to DTI (including most of the CAP issues);

(ii) its responsibilities for food standards, additives and hygiene transferred to DoH or to a new freestanding agency akin to the Health and Safety Executive.

(iii) its environmental functions transferred to DoE (see above), although agricultural policies on land use would continue to be determined by agriculture ministers in the CAP context.

The present structure of MAFF does not at pressent delineate sharply between these groups of functions, and detailed work would be needed to achieve a separation.

5. Much the largest of these blocks is (i): some 15-20 posts at G3 or above would transfer to DTI, making it a very large department indeed, and pre-empting, probably for ever, other machinery changes involving the energy or employment functions.

6. Questions to be considered are:

(i) separating the safety and envirionmental regulatory functions from the "industry" ones in principle makes for greater transparency and objectivity. But it also diffuses responsibility for the safety of the food chain as a whole, and could result in unco-ordinated and conflicting demands being placed on the industry.

(ii) some of the MAFF specialist services (e.g. the government veterinary services, scientific research) service both the economic and the regulatory functions, would probably better not be split, and would therefore have to serve the other "interest" on a contract basis.

B/TURNBULL

(iii) are pressures to make farmers behave differently (e.g. re alternative land use), more or less likely to be effective if imposed by other departments?

(iv) could a simplification of the MAFF/DoH interface be devised which would be worth pursuing on its own merits?

C. Expansion of MAFF

7. Alternatively, MAFF could in principle be expanded to take on from DoE responsibility for (rural) planning and land use. But this would lead to some untidy divisions of policies between departments.

8. It would be difficult to argue that an expanded MAFF was the Government's green department unless it also assumed responsibility for environmental protection and pollution from DoE. But such a change would require a significant broadening of MAFF's focus from the countryside alone to cover urban areas and general global issues. It would also create an anomaly in that the agricultural industry (one of the chief sources of pollution) would be in the (more favourable) position of being environmentally regulated by the department also concerned with its economic success, while responsibilities for other industries were shared between MAFF and DTI. The same would be true in relation to food safety if it took on more public health responsibilities from DoH.

D. A Department of Consumer Affairs?

9. In principle, a Department of Consumer Affairs could bring together responsibility for:

(i) general consumer affairs issues, including consumer safety and consumer credit (currently in DTI).

(ii) competition policy and oversight of the OFT and MMC (DTI).

(iii) regulatory oversight of financial services, insurance etc (DTI).

(iv) policy towards privatized utilities and oversight of their regulatory offices (OF TEL, OF GAS, OF WATER etc).

(v) less plausibly some other functions from which consumers/the public are the main beneficiaries, e.g. the Data Protection Act (now in the Home Office); Heritage and Sports from DOE; or even environmental protection (DOE) and food safety (MAFF and DSH).

B/TURNBULL

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10. Question to be considered are:

(a) would the creation of a separate consumer affairs department be seen as a retrograde step back to the 1970s, detracting from the government's overall economic policy of giving primacy to the customer?

(b) could such a department be large enough to be viable, and also retain a genuine coherence of approach (the functions at (i) to (iv) above would require no more than 10 posts at G3 and above at most, making it the smallest Whitehall department, and the full set of functions are in reality very diverse).

(c) would the increased divorce between "consumer" regulation and broader economic reguation be on balance beneficial?

ie from what is left

(d) would the recreation as a result of something akin to the old Department of Industry be acceptable (with or without the incorporation of the Energy and/or some Employment functions)?

E. Future of the Department of Employment

11. The core functions of D/Employment are diminishing, with the substantial recent fall in unemployment, the moves towards privatising training work through TECs, and the demise of its role as sponsor for trades union interests in government. Possible destinations for its present functions might be:

- employment service and payment of unemployment benefit to DSS.
- training functions to DTI (or DES).
- small firms and tourism to DTI.
- industrial relations and union law (plus ACAS) to DTI.
- oversight of HSC/HSE to DOH (or DOE).

12. Questions for consideration are:

(i) if the fall in unemployment came to a halt (or went into reverse) over the next year or so, would abolition of D/Employment be criticised with hindsight as an act of complacency?

B/TURNBULL

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(ii) would splitting up D/Employment along these lines now distract management in DSS and D/Employment from the task of getting the big social security and employment service agencies (and also TECs and the agency for training) off the ground?

(iii) should the small changes on small firms/tourism be pursued on their merits?

Note

13. This paper does not cover either the territorial consequences or the legal steps required in making any of these changes. (On the latter, most of thechanges covered would be between Secretaries of State and could be made administratively, possibly with a negative resolution Transfer of Functions order to tidy up any property rights. But because MAFF's functions are vested in the Minister for Agriculture, any transfer of functions to or from MAFF would require a Transfer of Functions Order.)

B/TURNBULL



SECRET: MANAGEMENT IN CONFIDENCE

Meeting record

SUBJECT
cc MASTER.

file KHo 5

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

MACHINERY OF GOVERNMENT

At your meeting with her today, the Prime Minister said it had been put to her that the Department of the Environment might be re-structured by hiving off the parts concerned solely with the environment. Under this Department could be assembled the environmental interests of a number of other Departments, e.g., MAFF's interest in the countryside. This was related to another current idea, that MAFF should be broken up into the parts dealing with agricultural production, food safety, and the countryside. The Prime Minister said that there were also suggestions for a Department of consumer Affairs, widely defined. She was also concerned that the Department of Employment might not be viable in the longer term.

BFH The Prime Minister asked you to prepare a note reviewing current ideas for changes to the structure of Government. This does not need to deal with the Department of Energy on which you have advised recently. She added, however, that in general she was rather sceptical of the benefits of machinery of Government changes and would only proceed with them where they were both intellectually coherent and would help the presentation of policy. You commented that there were disadvantages in giving a Department wide policy responsibilities without any policy instruments (or budgets) to put them into effect.

ANDREW TURNBULL

22 June 1989

SECRET: MANAGEMENT IN CONFIDENCE

CC/A/66

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Department of Employment
Caxton House, Tothill Street, London SW1H 9NF
5803
Telephone 01-273 . . . . . .
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon Douglas Hurd CBE MP
Home Secretary
50 Queen Anne's Gate
London
SW1H 9HT

Dear Douglas

CONTROL OF EXPLOSIVES

Thank you for your letter of 19 May. I agree that officials should proceed as quickly as possible to examine the adequacy of practical security measures, and your proposed terms of reference meet that purpose. It seems to me likely that at some stage we may have to consider what level of security we are looking for, and as you say that might give rise to a need for wider recommendations from the Working Party.

In the meantime, I understand that the Health and Safety Commission's proposals for Control of Explosives Regulations are nearly ready for public consultation. This is just one part of its major programme for the reform of the Explosives Act 1875. The Working Party will want to take account of these in making recommendations under item (iii) in your proposed terms of reference.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Trade and Industry, Scotland, Transport and to Sir Robin Butler.

Yours ever,

NORMAN FOWLER

Govt Mach: Future of
CSD Pt 7



chex.ps/as2/90 **NOT FOR NAO EYES**

SCPO

N Gray
The Lord Pres has minuted on Departmental Select Committees already.
AT 12/6

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

9 June 1989

Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

NBPM at this stage.
PRCG
12/6

Dear Secretary of State,

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I have read with interest your letter of 28 April and the views subsequently expressed by John Moore, Douglas Hurd, Peter Fraser, John MacGregor, Peter Walker, John Wakeham and Geoffrey Howe.

I share your concern that the operation of the convention about public comment leaves the Government at a disadvantage. There is of course some risk in a publicity free-for-all, since the media will always tend to give greater prominence to the criticisms than to their rebuttal. Nevertheless, while we must take account of Parliamentary privilege, I do not think we should be artificially inhibited from presenting the Government's case as we judge appropriate.

I agree therefore that the convention should be reviewed. I suggest that we need a co-ordinated approach which covers responses to Departmental Select Committees as well as to the NAO and PAC. Treasury officials will collaborate with the Cabinet Office in producing proposals for us to consider.

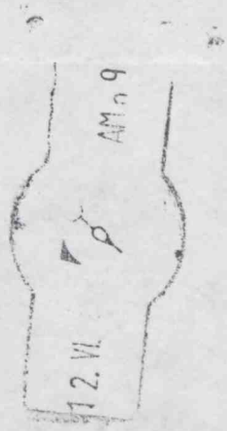
I am copying this letter to the Prime Minister, other Cabinet colleagues, Peter Fraser, David Waddington, Richard Luce and to Sir Robin Butler.

Yours sincerely,
Duncan Sparkes

p.p. NIGEL LAWSON
[Approved by the Chancellor and signed in his absence]

NOT FOR NAO EYES

Gov't MACH. Future of CSD
Pt 7



FCS/89/113

CHANCELLOR OF THE EXCHEQUER

National Audit Office Reports: Scope for Government Comment

1. Malcolm Rifkind wrote to you on 28 April about the convention which restrains Ministers and their Departments from responding to NAO Reports. He has since been supported by Douglas Hurd, John MacGregor, John Moore and the Lord Advocate. I have also seen Peter Walker's comments and John Wakeham's letter of 26 May to me arguing that Departments' right to defend themselves before giving their formal response to a PAC report could presumably be extended to their reaction to NAO reports.

2. Notwithstanding John Wakeham's qualification, it seems to me that the existing arrangement is unsatisfactory. In subscribing to the current self-denying ordinance, the Government is in danger of allowing its case to go by default. An explanation of a Department's position by the Accounting Officer in an upstairs Committee Room provides no adequate means publicly to defend the implementation and, increasingly, the formulation of policy. Nor does the eventual publication of a Treasury minute. Nor does the Memorandum's loop-hole which allows Departments to defend themselves on matters of fact offer a realistic course of action in most cases. The requirement that any response must not pre-empt later more considered responses (and thus any trespassing on Parliamentary privilege) makes this an unattractive option. We risk being criticised by the Press if we cannot say enough to explain ourselves adequately. We risk criticism by the Committee over breach of privilege if we do say enough to explain ourselves.

/3.

3. In short, the current system offers the Opposition and media unwarranted opportunities for undermining confidence in the Government and in Whitehall's general competence.

4. We have ourselves had bad experiences. In 1986 the Diplomatic Wing was prevented from reacting speedily to an ill-considered NAO report on commercial work overseas. In March this year the ODA faced biased press coverage over a PAC Report on multilateral aid. When the relevant Treasury minute finally issued a fortnight ago, it went unnoticed in the press.

5. Recently I saw press accounts of a PAC report criticising the Department of Transport to which, I expect, the latter will similarly be unable to respond until the issue has faded from public view.

6. Consequently I share our colleagues' hope that this odd convention will be revised to allow us a proper right of reply at an earlier stage than is currently permitted.

7. I am copying this minute to the Prime Minister, other members of the Cabinet and Sir Robin Butler.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
2 June 1989

Gov't Mach: Future of CSD p. 7

02 PM 9



CONFIDENTIAL

FILE KK

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

MACHINERY OF GOVERNMENT CHANGES

The Prime Minister discussed your minute of 26 May at your meeting yesterday. Though she did not wish to take a firm decision she said she was inclined not to go through with the merger of the Department of Energy and Department of Trade and Industry this year. Apart from the loss of one Cabinet post which this involved, she also felt that there was still a lot for the Department to do completing the electricity flotation, getting the regulatory regime in place and preparing plans for coal privatisation to go into the next Manifesto.

There was no discussion of any of the smaller changes to departmental boundaries.

AT

ANDREW TURNBULL
1 June 1989

Prime Minister
This responds to your concerns. This is consistent with the existing Memorandum of Guidance: it merely alters the balance in favour of quick response

AT
9/6

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

26 May 1989

Good note

Dear Geoffrey

I am writing following the recent letters about responses to National Audit Office reports and some discussions I have had with David Waddington about responding to Departmental Select Committee reports. It is clear that in relation to the latter, Ministers have in some cases been advised not to respond straight away to correct factual inaccuracies or rebut other criticisms because officials have felt inhibited by the emphasis given in the Memorandum of Guidance for Officials Appearing before Select Committees. This refers to the need to avoid appearing "to anticipate or prejudice the Government's final and considered reply to the Committee's recommendations, which must first be given to Parliament" (para 57).

But this is only part of the story. The Memorandum of Guidance also makes it clear that relevant background information, factual corrections or even in some circumstances straightforward responses to comments or criticisms can be issued immediately, where these would not prejudice the later, considered response to the Committee.

There can be no doubt, therefore, that colleagues can respond robustly where necessary to critical Select Committee reports as soon as they are received. There have been several recent examples of immediate and effective responses by senior colleagues to particular points made in Select Committee Reports which set the record straight. When this is done, it is of course essential to avoid pre-empting the later, more considered response to the Committee's recommendations and so cutting across Parliamentary privilege. But it should normally be possible to make this distinction in a defensible way.

I am sure colleagues would want to be alert to the need for quick responses, in appropriate circumstances, either by Ministers or through press office briefing, to correct critical comments made by Select Committees and so defuse unnecessary controversy. Departmental Press Officers have been alerted to provide early warning and advice where this seems necessary.

Contd 2/ . . .

I imagine the same considerations should apply to criticism in NAO reports, particularly as the NAO is not a Parliamentary Committee so there is less risk of Parliamentary sensitivities being ruffled. But the Chancellor may wish to offer further comments in this area.

I am sending a copy of this letter to Cabinet colleagues, David Waddington, Peter Brooke, Richard Luce and to Sir Robin Butler.

JOHN WAKEHAM

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign & Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
SW1A 2AL

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

26 May 1989

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I am sending a copy of this letter to Cabinet colleagues, David Waddington, Peter Brooke, Richard Luce and to Sir Robin Butler.

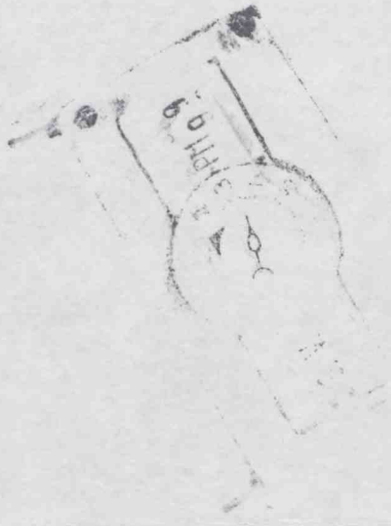
Yours ever

John

JOHN WAKEHAM

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign & Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
SW1A 2AL

GOV'T MACH: Future
00 CSDS P.7



Ref. A089/1403

PRIME MINISTER

Machinery of Government Changes

At the time of the decision last year to split the DHSS into two Departments, you gave some initial thought to a possible merger of the Department of Energy with the Department of Trade and Industry and decided to revert to the subject this year. I have therefore looked again at the advice I gave you last year.

2. For reasons set out below, I believe that you should either wind up the separate Department of Energy later this year, or decide to retain it at least until the next election. In reaching a decision three questions need to be addressed;

i. is a separate Department of Energy still needed?

ii. if not, where should the continuing energy functions be located?

iii. in the light of ii, would such a decision inhibit other desirable machinery of government changes?

A Separate Department of Energy?

3. The Department of Energy is the smallest of the main Government Departments, with just over a thousand staff, 15 at Grade 3 or above. Carrying through the privatisation of the electricity industry will continue to provide a major workload until well into 1991. Initial work on coal privatisation is currently getting under way, but the main political issues in that area will not arise until after the next election. Offshore

safety, atomic energy (including the future arrangements for the UKAEA and BNFL), oil and gas licensing and development are all actually or potentially controversial. In terms of staffing, numbers will increase over the next 18 months (reflecting the effort on electricity flotation, coal and offshore safety); thereafter the prospect is for steady decline. But barring unexpected accidents, the workload for energy Ministers will fall sharply this summer with the passage of the Electricity Bill, with no real pick up until coal privatisation comes seriously into view.

4. The functions of the Department of Energy are largley self-contained, with no difficult or unusual policy overlaps with the work of other Departments (apart possibly from offshore safety, which may need to be looked at in the light of the report towards the end of this year of the Cullen inquiry on Piper Alpha). The case for ending its separate existence is therefore a small and declining trend of workload, which will both leave Ministers insufficiently busy and officials with too narrow a range of opportunities.

5. The fall in Ministerial load with the passsage of the Electricity Bill would justify ending the Department's separate existence this summer. If however you decided against this early move, it would be desirable to give a clear signal that no change was then anticipated before the next election, both to avoid unsettling the programme of electricity flotations in 1990-91 and to ease the task of managing the Department, where expectations of its early demise are widespread and are already causing difficulties, particularly of recruitment.

Future Location?

6. My initial advice last year was that the natural home for the continuing Energy functions would be the Department of Trade and Industry.

7. That remains my view now. Such a merger would fit well with the DTI's past work on privatisation, its responsibilities for competition policy, deregulation and international trade, and its general experience of relations with industry and commerce. All developed countries where there is no separate energy department (eg Japan, Germany, France, Italy and Spain) combine energy with industry. I see no pointing merging the Department of Energy with the Department of Transport (which would have no real logic), or a major reconstruction of the Departments of Trade and Industry, Energy and Employment into a new Department of Enterprise and Department of Regulation (as considered in 1987).

8. The only reservations concerning a merger of Energy and Trade and Industry are ones of size. Although the combined Department would not be especially large in overall terms (13-14,000), it would be one of the largest in terms of policy span and the number of senior staff at Grade 3 and above. But the successful sales of Rover and British Steel, and the effective disposal of almost all of British Shipbuilders leaves the DTI's privatisation programme largely complete, and the changes in regional and innovation policy announced last year have progressively reduced the case load on DTI Ministers and to some extent on top officials. A merged DTI/Department of Energy would start with around 68 staff at Grade 3 or above, compared with 75 if the merger had taken place last year and 68 such posts in the DTI immediately after the Trade/Industry remerger in 1983. Some reduction could be expected as a direct consequence of a merger though not immediately (except, of course, for one Permanent Secretary post plus private office).

9. I therefore conclude that the merger of the Department of Energy into the DTI is a manageable proposition. I know that this is also the view of the Secretary of State for Energy and Sir Peter Gregson. Lord Young and Sir Brian Hayes have not

dissented. At Ministerial level, there will need to a Minister of State in the DTI dedicated to Energy matters and at least a part share in a Parliamentary Secretary, compared with a Secretary of State, Minister of State and Parliamentary Secretary (Lords) at present. This will produce a net saving of one post of Cabinet rank and, depending on the spare capacity in the DTI Ministerial team, perhaps of a Parliamentary Secretary post too.

10. The bulk of the functions of both Departments are vested in the "Secretary of State", and changes could therefore be effected administratively with a Transfer of Functions Order (negative resolution) to tidy up any property rights or liabilities vested specifically in the Secretary of State for Energy. It would be important legally to avoid reference to the "dissolution" of the Department of Energy.

Other Possible Machinery of Goverment Changes?

11. While the energy functions are largely self-contained, there are also problems at the interfaces between the Department of Employment and both the Department of Social Security (DSS) and the DTI (also the Department of Education and Science). The arrangements whereby the Department of Employment act as agents for DSS in the payment of unemployment and other social security benefits have always had their rough edges. There has also been a growing convergence, especially in relation to smaller firms, between the DTI's programmes under the Enterprise Initiative to improve the quality of British management, and D/Employment's work on training through the Training Agency.

12. Eventually, the right answer may be for D/Employment to be abolished, with D/Employment's training functions (including the Training Agency) going to DTI (or DES), and the Employment Service to DSS. I do not believe that this could be done as well as a DTI/Energy merger now - the result would be altogether too large and unmanageable. In any case the priority at present

is to let the new Agency structures get established in DSS and the Employment Service, the future of the Job Centres resolved, and the operational work of the Training Agency devolved to the new training and Enterprise Councils. This argues in favour of keeping these further machinery changes as possibilities for the longer term.

13. There is, however, a case for one piece of reorganisation in this area; and that is the transfer of responsibility for Small Firms matters from D/Employment to the DTI. The Small Firms responsbility resided in DTI until Lord Young became Secretary of State for Employment in 1985 when he took it with him to Employment. Now that this personal consideration is out of the way it fits better along with the DTI's wide range of other responsibilities towards business large and small; it would also sit well with the DTI's increased emphasis on small amd medium sized firms since the DTI White Paper and the launch of the Enterprise Initiative last year. The natural focus for D/Employment is on help for individuals seeking training or jobs. A complication of a transfer is that D/Employment are planning to put the regional work of the Small Firms Division into the Training and Enterprise Councils: a transfer to DTI would require DTI as well as D/Employment to develop a relationship with the TECs. But Lord Young is already thinking of asking the TECs to deliver some DTI services on an experimental basis, so this may happen anyway.

14. If, but only if, you decide to make this more limited transfer, it would make sense to transfer D/Employment's sponsorship responsibility for Tourism to DTI at the same time: the two functions are brigaded for management purposes, and tourism has no real functional link with the rest of D/Employment's work.

Conclusion

15. Subject to final legal confirmation from First Parliamentary Counsel, there are no technical difficulties about merging the Department of Energy with the DTI. On the substance, I do not believe it is essential to wind up the separate Department of

Conclusion

15. Subject to final legal confirmation from First Parliamentary Counsel, there are no technical difficulties about merging the Department of Energy with the DTI. On the substance, I do not believe it is essential to wind up the separate Department of Energy now. But if you are minded to wind it up, this summer would be a good time to merge it into the DTI, with the drop in Ministerial workload following passage of the Electricity Bill. At Ministerial level there would be an immediate saving of a Secretary of State post and, subject to the workload of DTI Ministers, perhaps of a Parliamentary Secretary too. If you do not wind up the Department of Energy now, I recommend a clear signal that you do not intend to make machinery changes in this area before the next Election.

16. In the longer term, the present grouping of functions in the Department of Employment looks questionable, given the effective demise of its role as sponsor for trade union interests in Governmnt. But the time for major changes in this area is not yet, and need not inhibit action on the Energy/DTI front now. There is however a case for restoring the small firms and tourism functions from D/Employment to the DTI to ease the demarcations there, with the result that DTI would have lead responsibility for most matters directly concerning firms (large and small), and D/Employment having the lead of matters involving training and jobs for individuals.

F.E.R.B.

ROBIN BUTLER

26 May 1989

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBIN BUTLER

CABINET OFFICE UNIT ON THE INNER CITIES

The Prime Minister has seen your minute of 22 May. She has approved the proposal to transfer the Unit's function of supporting the Minister for the Inner Cities to his Department. She is content to leave this change until after the next reshuffle, when the location of the Minister will need to be looked at again. She wanted to be sure, however, that the Department which takes on these extra responsibilities is properly organised and staffed to do so.

She has also agreed that the ad hoc Ministerial group on inner cities matters should be reconstituted as a formal Cabinet Committee. She was content with the proposed membership and terms of reference.

AT

ANDREW TURNBULL
26 May 1989

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CABINET OFFICE UNIT ON INNER CITIES

Sir Robin Butler's minute distinguishes two roles for the Unit:

- as the secretariat for E(UP)
- as operational support for Mr Newton on inner city matters.

Sir Robin proposes the second function should be moved to DTI, thereby returning the Cabinet Office Unit to its more conventional co-ordinating and secretariat function. He also proposes Mr Newton's ad hoc ministerial group on inner cities should be formally constituted as a MISC. He proposes making these changes after the next reshuffle but seeks agreement in prnciple now as a basis for planning.

If you agree the proposal I think you should seek assurance that the additional responsibilities which DTI will take on will be properly discharged. It will be important that DTI has someone who can knock heads together in Whitehall and who can relate to senior businessmen. At present the current head of DTI's existing Inner City Unit is a Grade 4. You could seek reassurance that this person has the necessary qualities to take on additional responsibilities. You could enquire whether upgrading to Grade 3 is desirable to mirror the downgrading from Grade 3 to Grade 5 of the official in the Cabinet Office.

Agree:

i. in principle that the Cabinet Office role of supporting Mr Newton returns to DTI? Yes

ii. I seek reassurance that DTI are equipped to take on this extra responsibility?

Yes

iii. that Mr Newton's ad hoc group be constituted as a MISC as a sub-committee of E(UP)?

Yes

AT

MT

Andrew Turnbull

25 May 1989

PERSONAL AND CONFIDENTIAL

ANDREW TURNBULL

25 May 1989

CABINET OFFICE UNIT ON THE INNER CITIES

Robin Butler is right as Head of the Civil Service to propose a reorganisation of the Cabinet Office's Inner City Unit. The Unit sits 'uncomfortably' at present alongside the more conventional role of the Cabinet Office.

But I am extremely concerned that this proposal has serious political implications. I would be grateful if you could raise the issue with the Prime Minister.

In my view we have already lost some momentum since the middle of last year. Penetrating questions are often not asked because the Unit has been bogged down by excessive paperwork. And the combination of a passive unit and a cautious minister has not helped. This is probably why DOE feels comfortable with the proposed arrangements.

Yet inner cities are still near the top of our agenda. In Wednesday's speech at the Conservative Women's Conference, the Prime Minister again reaffirmed her election night pledge to the people living in inner cities.

We should not transfer responsibility until the new role in the DTI is well defined and has real teeth. As a minimum, the status of the senior official in the DTI's existing inner city unit will have to be upgraded. The current incumbent (Grade 4) is not even an Under Secretary. And the appointment will need to be a robust individual - willing to ask difficult questions and able to relate to senior businessmen. Perhaps we should consider a senior secondment from outside Whitehall?

Could we discuss this?

Ian Whitehead

IAN WHITEHEAD

PERSONAL AND CONFIDENTIAL

cc Mr Dunlop

Ref. A089/1330

MR TURNBULL

Cabinet Office Unit on the Inner Cities

Mr Loveman, the Grade 3 in the Cabinet Office Unit on the Inner Cities, has returned to the Department of Employment to take up an appointment with the Employment Service in Sheffield. (In fact he has not been at the Cabinet Office since before Easter, when he broke his leg.) His departure makes it timely to reconsider the future of the Inner Cities Unit, on which I last reported to your predecessor on 19 May 1988 (A088/1552).

2. During the course of the past year, the role of the Unit has emerged along two distinct lines. First, as the secretariat for the Sub Committee on Urban Policy of the Ministerial Steering Group on Economic Strategy (E(UP)); and secondly as a '<u>cabinet</u>' to support the Chancellor of the Duchy of Lancaster on inner cities matters, mainly speeches and correspondence.

3. The first role is a conventional Cabinet Office function, which needs to continue. Indeed, Mr Newton and I see advantage in strengthening the position of the Minister for the Inner Cities by establishing as a formal Cabinet Committee Mr Newton's ad hoc Ministerial group on inner cities matters. This could be done by reconstituting under Mr Newton's chairmanship MISC 116 (the Ministerial Group on the Development of Urban Policy) - effectively as a sub-committee of E(UP). I attach a proposed composition of MISC 116. I have discussed this with Mr Newton, who welcomes this proposal and agrees with the composition suggested.

4. The second role - as 'cabinet' to the Minister for the Inner Cities - would more appropriately and conveniently be located in his own Department. One of the reasons for establishing it in the Cabinet Office originally was the degree of rivalry between DOE and DTI in this matter, and I am assured by Sir Terence Heiser and Sir Brian Hayes that this has now abated: both departments now agree that this function should be attached to the Minister. I do not, however, recommend establishing it at the Department of Trade and Industry at this stage, until we have seen whether any Cabinet reshuffle this summer has implications for the allocation of Ministerial responsibilities for inner cities matters. I therefore propose that the Cabinet Office should continue to provide this support for the Chancellor until after any summer reshuffle (or until the autumn if there is no reshuffle), when it should then transfer to the Department in which the Minister with responsibility for co-ordination of policy on the inner cities is located.

5. The Cabinet Office would then continue to have a major role on the inner cities but in its traditional role of co-ordinating policy as Secretariat for E(UP) and MISC 116, instead of dealing with day-to-day correspondence and speeches.

6. In anticipation of this re-arrangement, I propose to replace Mr Loveman at Grade 5 rather than Grade 3, and to arrange for this successor to report through the Head of the Home and Social Affairs and Legislation Secretariat (Mr Mawer), who would join the secretariat of E(UP) and MISC 116.

7. I should be grateful for the Prime Minister's agreement to the reconstitution of MISC 116 with the composition set out in the annex, and to the transfer of the Cabinet Office's responsibility for day-to-day support of the Minister charged

with the co-ordination of policy on the inner cities to the appropriate line Department later this year.

RERB

ROBIN BUTLER

22 May 1989

MANAGEMEMENT IN CONFIDENCE

PROPOSED NEW CONSTITUTION FOR THE MINISTERIAL GROUP ON THE DEVELOPMENT OF URBAN POLICY (MISC 116)

CHAIRMAN: Chancellor of the Duchy of Lancaster (Mr Newton)
Minister of State, Home Office (Mr Patten)
Minister of State, Department of Employment (Mr Cope)
Minister of State, Scottish Office (Mr Lang)
Parliamentary Under-Secretary of State, Department of Education (Mr Butcher)
Parliamentary Under-Secretary of State, Department of the Environment (Mr Trippier)
Parliamentary Under-Secretary of State, Department of Health (Mr Freeman)
Parliamentary Under-Secretary of State, Northern Ireland Office (Mr Needham)
Parliamentary Under-Secretary of State, Department of Social Security (Lord Skelmersdale)
Parliamentary Under-Secretary of State, Department of Trade and Industry (Mr Forth)
Parliamentary Under-Secretary of State, Department of Transport (Mr Bottomley)
Parliamentary Under-Secretary of State, Welsh Office (Mr Grist)
Economic Secretary, Treasury (Mr Lilley)

Officials would be invited to be in attendance as necessary.

Terms of reference:

"To monitor and co-ordinate Government action on inner cities and its presentation."

Secretaries: Mr P J C Mawer and Mr S S Mundy.

GCPU

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01-270 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Peter Walker MBE MP

From The Secretary of State for Wales

CT/6123/89

22 May 1989

NOT FOR NAO EYES

NBPM at this stage.
PRCG
22/5

Nigel

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I have seen Malcolm Rifkind's and John Moore's recent letters setting out the case for a change in the present convention whereby neither Ministers nor Departments respond publicly to criticisms contained in NAO Reports.

I share their concern that the NAO's increased emphasis on Value for Money Studies is providing both them and the PAC with a much greater opportunity to criticise government policies than in the past.

But I do not think the best way to tackle this problem is for the Government to enter the fray by seeking to rebut criticisms in advance of the relevant PAC hearing. This will simply prolong and intensify the publicity. And because the Government will inevitably be seen to be on the defensive there is no guarantee that, whatever the merits of the arguments, we shall succeed in getting our case across.

In my view the best way to handle this growing problem is for Departments to ensure that NAO Value for Money Studies focus exclusively on the implementation of policy and not the merits of policy decisions. This, coupled with the freedom for officials to brief the press more positively than in the past on the contents of both NAO and PAC Reports, should ensure that the Government's position is more adequately protected.

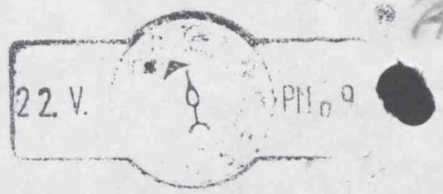
I am copying this letter to the Prime Minister, members of the Cabinet and Sir Robin Butler.

Peter

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Gov it mach: Future of CSD
A 7

22. V. PN 9



CCPS.

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

19 May 1989

CDP 22/5

Dear Norman,

CONTROL OF EXPLOSIVES

Thank you for your letter of ~~28~~ 27 April about the working party I proposed to review the security and control of explosives.

I welcome your view that the terms of reference for the working party should be tightly drawn so as to narrow discussion and allow a faster response; and I accept what you say about the roles of the Health and Safety Executive, the police and local authorities being clearly defined in law. But my concern is that the practical security arrangements made under the law are evidently ineffective.

I believe, therefore, that the terms of reference of the working party should be on the lines I suggested in my letter of 13 April, but sharply focussed on security. The terms could be:

(i) to look at how the existing controls on security operate;

(ii) to identify areas of weakness affecting security in the existing arrangements and structure; and

(iii) to make recommendations to ensure the adequacy of security controls.

This should enable the working party to produce a report on the most immediate security concerns as a matter of urgency. If during this work it appeared that related but wider issues required consideration, the working party could in its first report make proposals for amending its terms of reference and membership for a second stage of its work. If you and colleagues are content, I will ask my officials to proceed without delay on this basis with a view to arranging the working party's first meeting very shortly after the May bank holiday.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Northern Ireland, Trade and Industry, Scotland, Transport and to Sir Robin Butler.

The Rt Hon Norman Fowler, MP.

GOVT MACH: future of CSD

PA



CCPU

MAFF

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

MBPM
at min stage.
BRCG 18/5

18 May 1989

Dear Nigel,

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I would join in support of the points in Malcolm Rifkind's letter to you of 28 April. Those hardened to dealing with the PAC and NAO may think that it is simply part of the system that PAC/NAO should have an advantage. But with the tendency of the NAO, encouraged by the PAC, to go into policy issues and the inclination of the present PAC to seek more publicity for itself, we should look at the conventions again to ensure that the government case is not going by default. At the same time we must recognise that the usual short notice of the content of PAC reports makes it difficult to have a considered response ready on publication day.

I am copying this letter to the Prime Minister, other members of the Cabinet and Sir Robin Butler.

Yours ever,

JM

JOHN MacGREGOR

GOVT MACH: Future of C&D Pt 7.



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Telephone: Direct Line 01-276 6810
Switchboard 01-276 3000
Fax 01-276 6834

NOT FOR NAO EYES

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

17 May 1989

Dear Nigel,

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I have now seen Malcolm Rifkind's letter to you dated 28 April and that of John Moore dated 10 May and in the light of my recent experience of NAO and PAC scrutiny of Crown Office and the Procurator Fiscal Service fully endorse what is said by Malcolm Rifkind and John Moore.

In some respects the relationship I have with Procurators Fiscal in Scotland may be a distinctive and singular one in the context of the Civil Service as a whole but their morale and public confidence in them was seriously damaged by the widely publicised selective abstraction with added comment of parts of the NAO Report by opposition spokesmen, other lobbyists and the media and by my apparent failure to attempt to redress the balance.

John describes the situation as one of "three bites at the cherry". My experience is that it allows a gnawing away more protracted than that. One member of the PAC has between the date of the PAC hearing and prior to the publication of their report felt free to make public statements reflecting adversely on the workings of the department and policy decisions taken confident that there will be no immediate rejoinder. I should also add that it is quite apparent to me the period of enforced silence has allowed critics of the CPS to replenish their ammunition for attacks on it.

I agree with Malcolm that a review is necessary and further agree that of the two options he advances holding back publication of the report until the PAC hearing is unrealistic.

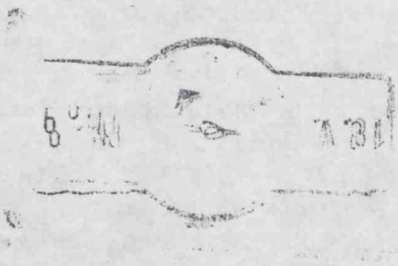
I am copying this letter to the Prime Minister, members of Cabinet and Sir Robin Butler.

Yours ever,

Peter.

FRASER OF CARMYLLIE

GOVT. MACH: Letters of CSD Pt 7



cc PJ

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

16 May 1989

MBR HM Treasury
respond.

PRCC
16/5

Dear Nigel,

NATIONAL AUDIT OFFICE REPORTS:
SCOPE FOR GOVERNMENT COMMENT

I have read with interest Malcolm Rifkind's letter about the conventions governing comment on National Audit Office reports and, by extension, Public Accounts Committee reports.

The present conventions seem unfair and I have no doubt can be intensely frustrating in particular cases, although I cannot say I have had the same difficulties as Malcolm Rifkind seems to have experienced over the report on Locate in Scotland. In some ways the present conventions can operate to our advantage by allowing ripples of critical comment to disperse quickly. There is always the risk of making the Accounting Officer's position in appearing before the Public Accounts Committee more difficult than it might otherwise be by engaging in a war of publicity beforehand.

On the other hand, there is an argument for being able to take a rather more vigorous line than is permitted under the present conventions when faced with what appear to be particularly unfair criticisms which may cause political damage. I know that Treasury officials have recently been looking at the conventions, and I would be in favour of a review which might permit the sparing use of rather more freedom to comment than at present.

I am copying this letter to the Prime Minister, other Cabinet colleagues and to Sir Robin Butler.

Douglas

The Rt Hon Nigel Lawson, Esq.

GOUTMACH: Future of CSO. PT7.

cc PK

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

NOT FOR NAO EYES

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London
SW1P 3AG

NBPA until Treasury respond.
PREG 10/5

10 May 1989

Dear Nigel,

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I was grateful for sight of Malcolm Rifkind's letter to you of 28 April with which I have considerable sympathy. I share Malcolm's frustration at being unable to respond publicly to criticisms arising from NAO reports.

As Malcolm says, there is an in-built bias in favour of the NAO under the present arrangements. They have what amounts to three bites of the cherry - publication of the NAO report, the PAC hearing, and then the publication of the subsequent PAC report - before the Government replies by way of the Treasury minute.

I recognise of course that Accounting Officers defend their corner before the PAC, and that they are examined upon a report which has been agreed on the facts and, where there are differences over interpretation, that both the NAO's and Departments' views are contained in the report. But I would draw an important distinction between Departmental comment on behalf of the Accounting Officer and Ministerial defence of Government policy.

We must accept, as Malcolm points out, that the NAO's value for money scrutinies are increasingly straying into the policy area. Press comment, and for that matter comment from opposition spokesmen, MPs generally and other public figures, frequently criticises policy decisions for which Minsiters are themselves answerable. It is important that Ministers should not be prevented from rebutting such criticism simply because it is made in the context of an NAO report.

I therefore agree with Malcolm that the time has come to review the 'no comment' convention to see whether more even handed arrangements might apply. I am copying this letter to the Prime Minister, other members of Cabinet and to Sir Robin Butler.

Yours ever

JOHN MOORE

GOVT MACH - CSD Pt 7.



CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

MINISTERIAL RESPONSIBILITY FOR THE OFFICE OF POPULATION CENSUSES AND SURVEYS (OPCS)

The Prime Minister has seen your minute of 4 May and, like you, draws the conclusion that Ministerial responsibility for the OPCS should be left as it is. She welcomes the fact that the OPCS will be considered as a candidate for Agency status in the Next Steps programme.

(ANDREW TURNBULL)
8 May 1989

CONFIDENTIAL

Prime Minister
After considering all the options FCRB comes down in favour of Status quo, but with prospect that OPCS become a Next Steps Agency.
The argumentation seems sound however.
Agree?
Yes no
AT 5/5

Ref. A089/1142

PRIME MINISTER

Ministerial Responsibility for the Office of Population Censuses and Surveys (OPCS)

When the DHSS was divided last summer, you asked me (Nigel Wicks' minute of 26 July 1988) to consider whether the OPCS should continue as a separate department, or whether the OPCS functions should be

i. divided between the Department of Health (DoH) and the Department of Social Security (DSS);

ii. brigaded with the Central Statistical Office (CSO).

When we discussed the matter at the time you agreed that I should do so in the light of the outcome of the review of government economic statistics.

2. The OPCS is responsible for registration data (births, deaths and marriages); the ten-yearly census and other population statistics; various medical statistics and the NHS central register; and social survey statistical work for a variety of government departments. It has a staff of something over 2,000. As you may recall, a Machinery of Government review of the OPCS was carried out in 1986, the conclusions of which you agreed. I have reviewed the conclusions reached then in the light of subsequent developments.

3. In principle, there are four possibilities available for the future of the OPCS:

i. the status quo, in which it remains as a separate government department, responsible to the Secretary of State for Health;

ii. absorption of the OPCS into DoH as such (or another department);

iii. break-up of the OPCS, and allocation of its functions to DoH, DSS, and other principal customer departments;

iv. absorption of the OPCS within the CSO.

4. The 1986 review reached a clear conclusion that there were no real benefits to be obtained from absorbing the OPCS into the CSO (option iv), and some genuine disadvantages: closer links were needed between the OPCS and customer departments (for which specific recommendations were made). Transfer to the CSO would not have assisted, and could have hindered, achievement of this objective.

5. Developments since have reinforced this conclusion on the CSO option. The enlarged CSO will be even more heavily focussed on economic statistical work than previously, with no obvious new benefits to be obtained from absorption of the work of the OPCS. Moreover, the enlarged CSO faces a very large management task over the next year or two to get established as a separate government department holding agency status - quite apart from the professional demands involved in improving the quality of economic statistics. To treble the size of the CSO by bringing in the OPCS at this juncture would be a wholly unhelpful distraction.

6. The option of breaking up the OPCS and distributing it among customer departments (option iii) was examined closely in 1986,

from the standpoint that closer alignment with user needs was in principle likely to be beneficial; this is very much the approach later adopted in the review of economic statistics. However, the clear conclusion was that the work of the OPCS should remain as a single block, partly for legal reasons (the Registrar General has certain functions placed on him or her by statute), but principally because the extensive data flows between different aspects of its work would be seriously impaired by a breakup of its functions. Nothing has happened since to alter this judgement. Moreover since 1986 OPCS have successfully started to implement an IT strategy which will enable the Office to use its data much more efficiently and effectively as a single resource to meet customers' needs. Work on financial management and relocation is proceeding on the assumption that the OPCS will remain one office.

7. This leaves the options of the status quo or absorption into the DoH which remains by far the OPCS's largest single customer (the DSS has very little to do with the OPCS). In theory absorption within the DoH might assist the co-ordination of OPCS's executive functions and DoH's related policy work. However, in practice, since implementation of the conclusions of the 1986 review and the concurrent appointment of the new Registrar General, OPCS has taken steps to ensure close working with DoH. Much of the work has been put on to a repayment basis, with agreed management plans whose implications are closely monitored. Formal and informal arrangements are now in place to consult and inform DoH Ministers and officials.

8. Absorption of OPCS into DoH would, however, have real drawbacks. The NHS and the medical profession would oppose such a change on the grounds that the integrity of OPCS's statistical work might be compromised by closer integration with the DoH: responsibility for policy (such opposition was judged a genuine risk in 1986 even though the review saw no substance in the argument). The present arrangements for OPCS mirror those we

have just adopted for the CSO: a separate Department and Accounting Officer reporting to the Minister who is also the prime customer for the work. The separation of the Department has presentational advantages as it does for the CSO. It is also probably more acceptable to OPCS's many other customers - in particular the Departments of the Environment and Employment, the Home Office and the Welsh Office - who might feel that integration with DoH would distort priorities in its favour.

9. Structural change at this time would also be an unwelcome distraction both for Health Ministers and officials in the face of the priority task of implementing the Government's NHS reforms, and for the OPCS which is now preparing for the 1991 census and implementing a major programme of computerisation and management reform.

10. My conclusion therefore is that Ministerial responsibility for the OPCS should be left as it is. It will be considered as a candidate for Agency status in the Next Steps programme, which will provide a further opportunity for looking at its role and functions.

R.R.B.

ROBIN BUTLER

4 May 1989

GOVT MACH: Letter of CSD PT 7

CONFIDENTIAL

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 .....

MO 10/3E

4th May 1989

Dear Douglas,

CONTROL OF EXPLOSIVES

Thank you for sending me a copy of your letter of 13th April to Norman Fowler on this topic.

Although I assume it is not intended that the working party include weapons, ammunition and nuclear materials in their examination, their recommendations, and any subsequent legislation, could have considerable resource implications for the Services. I would therefore welcome my Department being allocated two places on the working party; one for an expert on explosives storage and transport, and the other for a security expert. The latter could be of particular assistance by providing an assessment of the most likely level and source of the threat to particular explosive materials.

I am sending copies of this letter to the Prime Minister, Nigel Lawson, Tom King, Lord Young, Malcolm Rifkind, Paul Channon and to Sir Robin Butler.

Yours ever,

George

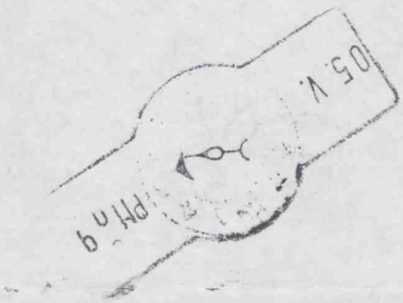
George Younger

The Rt Hon Douglas Hurd CBE MP

CONFIDENTIAL

GOVT MACH: changer en Mach. d Gaff

pr 7



LS/X/76

CONFIDENTIAL

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . 5803. .
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon Douglas Hurd MP
Home Secretary
Queen Anne's Gate
LONDON
SW1H 9AT

Dear Douglas

CONTROL OF EXPLOSIVES

Your letter of 13 April addresses the security of explosives. I agree that this is a subject that needs to be reviewed urgently and there are important questions on the adequacy and clarity of our existing arrangements.

Although enforcement responsibilities are clear cut and the roles of the HSE, the police and local authorities are clearly defined by law, there may be some aspects of security that could be better defined such as policy responsibilities for marking explosives and the responsibility for responding to questions from the media on explosives incidents. I suggest that the terms of reference for the Working Party should focus on these aspects, which will narrow discussion and allow a faster response.

Following the theft of explosives from Bovey Tracey, the Health and Safety Executive has had a number of meetings with the Managing Director of the company concerned and obtained assurances on security measures at the site. Health and Safety Executive Inspectors have also visited three other

Secretary of State
for Employment

magazines operated by this company and found everything to be in accordance with the present required standard. However as a precautionary short term measure, a further reminder of the threat to explosives and the need to take adequate precautions has been circulated throughout the explosive industry.

Yours ever,

NORMAN FOWLER

GOVT MACH: Changes to the Machinery of Govt Part 7

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

NOT FOR NAO EYES

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

28 April 1989

Dear Nigel,

NATIONAL AUDIT OFFICE REPORTS: SCOPE FOR GOVERNMENT COMMENT

I am aware that Permanent Secretaries are considering the convention which prevents Ministers and Departments from commenting on NAO Reports. I recently had first-hand experience of the negative aspects of this convention over the handling of the Report on Locate in Scotland and felt very frustrated at not being able to respond publicly to some of the allegations made. This experience has led me to question whether the convention is justified, especially as NAO extend the scope of their VFM studies and they and PAC assume a higher profile, seeking greater press coverage for their activities.

I am primarily concerned with the need to ensure fair play. NAO have the scope to release reports and comments which are sometimes highly critical of departments but only very limited counterbalancing comment may be made. What particularly bothers me about this arrangement is the bias in favour of NAO. In my view, it operates against the interests of the Government and causes political damage which could well be avoided. Surely, if NAO are allowed to seek publicity for critical conclusions, Ministers and Departments should be able to speak in their own defence. The opportunity given to Accounting Officers to comment on draft NAO press releases and the issue of press briefing or public statements by Departments confined to factual information fall far short of what I have in mind. Naturally the press seize on and highlight the actual conclusions and do not take account of any counter-balancing sub clauses. Either departments should be given the opportunity to comment publicly in order briefly to put their case at the time of publication so that the press can take account of it or the reports should not be published in advance of the PAC hearing. Personally, I favour the former course as I recognise the opposition which would arise if reports were held back from publication until the day of the PAC hearing. However, I believe that this course would be better than continuing to leave the Press to report on an NAO study on the basis of the NAO Press Release and very limited departmental comment.

I hope that you and colleagues will share my view that the time has come to review this convention so that it does not operate in such a one-sided way and I suggest that we might ask officials to bring forward proposals for our consideration.

I am copying this letter to the Prime Minister, members of the Cabinet and Sir Robin Butler

Yours ever,
Malcolm

MALCOLM RIFKIND



cc PK

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
Queen Anne's Gate
LONDON
SW1H 9AT

28 April 1989

Dear Douglas,

CONTROL OF EXPLOSIVES

Thank you for copying to me your letter of 13 April to Norman Fowler in which you proposed to set up a Working Party of officials to consider present and future arrangements for the security and control of explosives.

While in Scotland there have been no recent significant incidents involving explosives we are conscious of the need to do everything we can to ensure that controls are sufficiently effective to prevent such material falling into the wrong hands. I therefore very much welcome your proposal to establish a Working Party to consider these matters. I propose that Scottish Office representation should be provided by an official from the Police Division of Scottish Home and Health Department.

My officials have been in touch with yours about extending an invitation to the Association of Chief Police Officers (Scotland) also to be represented on the Working Party.

I am copying this letter to the Prime Minister, Nigel Lawson, George Younger, Norman Fowler, Tom King, David Young, Paul Channon and to Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

JMC116L4

GOVT MACH

changes in Govt Mach

P77



HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

13 April 1989

Dear Norman

CONTROL OF EXPLOSIVES

The recent theft of a large quantity of explosives from a distribution depot at Bovey Tracey in South Devon raises important questions about the adequacy of existing controls and responsibility for them. I do not think we can be complacent with existing arrangements.

The Health and Safety Executive operate the central licensing arrangements, though there is also some police and local authority involvement. The Home Office is regarded as having policy responsibility and a number of other Departments have particular interests. I am anxious about such a diffusion of roles and authority, and I know that Tom King strongly shares my concern. I therefore propose to set up a Home Office-led working party of officials, chaired at Grade 5 level, to examine all this as a matter of urgency. Its job would be to look at how the existing controls operate, with particular regard to the security aspects; to identify areas of weakness in the existing arrangements and structure; and to make recommendations to ensure the adequacy of controls.

There is some ground-clearing in hand which may affect the terms of reference and composition of the working party. Subject to that, I propose that it should include, in addition to Home Office and Health and Safety Executive officials, representatives from the Northern Ireland Office, Ministry of Defence, the Departments of Trade and Industry and Transport, Scottish Office, Customs and Excise, and the Association of Chief Police Officers. The local authority dimension requires consideration, but I would not envisage their involvement at the outset. If you and colleagues are content we will proceed accordingly.

Copies of this letter go to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Defence, Northern Ireland, Trade and Industry, Scotland and Transport, and Sir Robin Butler.

Yours ever,

Douglas

The Rt Hon Norman Fowler, MP.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 April 1989

ROYAL FLIGHTS IN CIVIL AIRCRAFT

Thank you for your letter of 28 March which the Prime Minister has seen. She is content for the proposed transfer of responsibilities to take effect from the start of the 1989-90 financial year.

I am copying this letter to Brian Hawtin (Ministry of Defence), Carys Evans (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

(PAUL GRAY)

Roy Griffins, Esq.,
Department of Transport.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1

Prime Minister

I have confirmed that Robin Butler has agreed this. Content for this transfer of responsibilities to take effect from the start of the new financial year?

PRC 6

Dear Paul

28 MAR 1989 31/3

ROYAL FLIGHTS IN CIVIL AIRCRAFT

I am writing to seek the Prime Minister's approval to the transfer to the Ministry of Defence of this Department's present responsibilities for funding and letting contracts for flights in civil aircraft by certain members of the Royal Family.

When The Queen's Flight is unavailable, or unsuitable for the Royal Family's purposes, a civil aircraft is chartered to meet the particular requirement. Although the cost of The Queen's Flight itself is met by MOD, responsibility for meeting the costs of civil aircraft used by the Royal Family falls on other departments. The Department of Transport is responsible for meeting the cost of flights in civil aircraft made by:

(i) The Queen when on private or public business;

(ii) the Duke of Edinburgh, and the Prince and Princess of Wales, when on public business; and

(iii) in exceptional circumstances, the Duke of Edinburgh, Queen Mother, and the Prince and Princess of Wales, when on private business.

Although these arrangements have been in place for some time, they have caused difficulties for this Department, both in estimating the total amount of excpenditure likely to be needed, and in supervising the contractual arrangements for chartering civil aircraft. My Secretary of State, and the Secretary of State for Defence have therefore concluded that it would be more satisfactory if these responsibilities were transferred to MOD, which is already responsible for The Queen's Flight. This change will involve the transfer from this Department to MOD of the appropriate PES provision, but it has no other financial implications, and no manpower implications either for this Department or for MOD. Sir Robin Butler and Sir Peter Middleton are content with this proposal, which is also acceptable to the Palace.

I should be grateful to know that the Prime Minister is content for this change in responsibilities to proceed. There is no need for a Transfer of Functions Order, or for a specific announcement. Although no expenditure is planned to arise before October this year, it seems sensible for the formal transfer of responsibility to take place at the start of the new financial year. Arrangements for a revised departmental estimate, and for a supplementary MOD estimate, will be put in hand.

I am copying this letter to the Private Secretaries to the Secretary of State for Defence and to the Chief Secretary, and to Trevor Woolley in Sir Robin Butler's office.

Yours

Neil Hoyle

for **R J GRIFFINS**
Private Secretary

CONFIDENTIAL

FILE KK

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

14 March 1989

FUTURE OF COUNTRYSIDE BODIES

The Prime Minister has seen your Secretary of State's minute of 28 February setting out his proposals for restructuring the three Countryside Bodies for which he is responsible. She was content to proceed by way of an internal review rather than the scrutiny which had originally been envisaged at the Value for Money seminar last October. She was broadly content with the way in which it was proposed to restructure these bodies in England, Scotland and Wales.

(ANDREW TURNBULL)

Roger Bright, Esq.,
Department of the Environment.

CONFIDENTIAL

TG
SRW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 March 1989

Dear Alan

PROPOSED TRANSFER OF FUNCTIONS ORDER
RAG FLOCK AND OTHER FILLING MATERIALS
ACT 1951

The Prime Minister has seen your Secretary of State's minute of 28 February. She is content that responsibility for the above Act should be transferred to the Department of Trade and Industry and agrees that your Secretary of State may proceed with the Transfer of Functions Order as soon as possible.

A copy of this letter goes to Neil Thornton (Department of Trade and Industry), Stephen Williams (Welsh Office), David Crawley (Scottish Office) and Trevor Woolley (Cabinet Office).

Yours ever

Dominic

(D. C. B. MORRIS)

Alan Ring, Esq.,
Department of the Environment.

PRIME MINISTER

FUTURE OF COUNTRYSIDE BODIES

At your VFM Seminar with Mr. Ridley last October it was envisaged that there would be an efficiency scrutiny into the three Countryside Bodies - the Nature Conservancy Council, the Countryside Commission and the Rural Development Commission in England. Mr. Ridley has now minuted saying that, instead of an efficiency scrutiny, he has conducted an internal review from which emerged some proposals for re-organising these Bodies.

The proposals can be summarised as follows:-

i) The Nature Conservancy Council to be divided up in England, Scotland and Wales.
ii) In Scotland and Wales the Nature Conservancy Council to be merged with the Countryside Commission.
iii) In England the Nature Conservancy Council to remain free standing but the Rural Development Commission and the Countryside Commission to be merged.

Cabinet Office do not feel that the case for the differing treatment in the different territories has been made out. They suggest you seek some further information before reaching a final decision.

Yes - if that is what all 3 Ministers want - let it go ahead

Agree
- to accept Mr. Ridley's proposals, or
- that I write along the lines of the draft attached to the Cabinet Office minute?

AT

ANDREW TURNBULL
12 MARCH 1989

Ref. A089/711

MR TURNBULL

Future of Countryside Bodies

You asked for views on the proposals contained in the Secretary of State for the Environment's minute of 28 February about proposals for re-organising the various countryside bodies.

2. These proposals raise machinery of government questions about the transfer of functions from DOE to the Scottish Office (in relation to Nature Conservancy Council functions), and the Welsh Office (NCC and Countryside Commission functions), and also about the structure of the NCC, Countryside Commission and Rural Development Commission in England.

3. I see no great difficulty in principle about giving the Scottish and Welsh Offices full responsibility for NCC and Countryside Commission matters, through the creation of a combined NCC/Countryside Commission body for Scotland and for Wales. But the positive arguments for doing so given by Mr Ridley are very thin. He justifies the proposed splitting up of the Nature Conservancy Council (NCC) on the grounds that "there are indications that it has become over-centralised", and that this over-centralisation has undermined the policy of securing nature conservation objectives through voluntary approach. It is not clear why a voluntary approach necessarily requires a decentralised NCC structure; but if it does, then greater decentralisation in England ought also to be on the agenda.

4. Nor is there any convincing argument why it is right to put the NCC together with the Countryside Commission functions in Scotland and Wales, but better in England to put the residual

Rural Development Commission functions together with the Countryside Commission functions, leaving the NCC independent.

5. Finally, the proposed abolition of the Rural Development Commission (with its remaining functions merged into the Countryside Commission) could give rise to some presentational difficulties, since the Rural Development Commission was created in its present form as recently as April 1988, through the merger of the former Development Commission and COSIRA.

6. For all these reasons, I suggest that the Prime Minister seeks some further information along the lines of the attached draft before reaching a final decision.

MS Woolley
(Private Secretary)

MP ROBIN BUTLER

10 March 1989

TAWAPU

CONFIDENTIAL

DRAFT LETTER FROM MR TURNBULL TO PS/SECRETARY OF STATE FOR ENVIRONMENT

FUTURE OF COUNTRYSIDE BODIES

The Prime Minister has seen your Secretary of State's minute of 28 February.

2. Before reaching decisions on these proposals, the Prime Minister would like some further information. First, if the Nature Conservancy Council is over-centralised to a degree that impedes the policy aim of a voluntary approach in this area, what is being done to achieve a more decentralised structure in England? Second, if it is right to merge the continuing functions of the Rural Development Commission with the Countryside Commission in England, but not those of the Nature Conservancy Commission, does it make sense to adopt a different course in Scotland and Wales? The Prime Minister would like to see a clear statement of the functions and objectives of each of the proposed new or merged bodies before reaching a decision. Finally, since the Rural Development Commission was created in its present form as recently as April last year, she has asked what answer would be given to the question why the Government did not think of merging it with the Countryside Commission then.



MANAGEMENT IN CONFIDENCE

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

9 March 1989

Dear Roger

MACHINERY OF GOVERNMENT CHANGE: GOVERNMENT CAR SERVICE

The Prime Minister has seen your Secretary of State's minute of 28 February. She is content with the proposed changes to Ministerial responsibility for the Government Car Service which are consequential upon the privatisation of The Crown Suppliers.

I am copying this letter to Philip Mawer (Home Office), Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), David Crawley (Scottish Office), Robert Satchwell (Financial Secretary's Office) and Trevor Woolley (Cabinet Office).

Yours sincerely

Andrew Turnbull

Andrew Turnbull

Roger Bright, Esq.,
Department of the Environment.

Prime Minister

Content with Mr Ridley's proposal to transfer the functions of this Act to DTI?

Yes, GT Dm

Ref. A089/667

MT

MR TURNBULL

Proposed Transfer of Functions Order
Rag Flock and Other Filling Materials Act 1951

The Secretary of State for the Environment's minute of (attached) 28 February sought the Prime Minister's agreement to the transfer of powers under the 1951 Rag Flock Act from the Department of the Environment and the Scottish Office to the Department of Trade and Industry.

2. This is a very minor matter and the Prime Minister may wonder whether the game is worth the candle. But, as Mr Ridley notes, the underlying task of consumer protection in relation to unclean filling materials is now more suitably dealt with via the DTI's consumer protection powers. Ideally, the Rag Flock Act should now be repealed and that too will be a matter for the DTI. So, until a suitable legislative vehicle becomes available, I agree with Mr Ridley that it would make sense to unite in DTI the day-to-day work in this area with the formal responsibility for the legislation.

3. The change has no implications for Departments' manpower or expenditure, and all the Ministers with an interest are agreed. A Transfer of Functions Order will be required, since certain powers under the Act are vested in named Ministers. I recommend that the Prime Minister agrees to the proposal.

F.E.R.B.

ROBIN BUTLER

7 March 1989

NBPM
BF 8/7

Ref. A089/668

MR TURNBULL

Machinery of Government Change:
Government Car Service (GCS)

With DM at

The Secretary of State for the Environment's minute of 28 February sought the Prime Minister's agreement to the transfer of the Government Car Service (Wales) and the Government Car Service (Northern Ireland) to the Secretaries of State for Wales (because Welsh Office Ministers are the main users) and Northern Ireland (for security reasons) respectively. The Secretary of State for the Environment will remain responsible for the Government Car Service in England and also in Scotland (since Scottish Ministers are only minority users of that service), but through the Property Services Agency rather than, as now, through its offshoot the Crown Suppliers.

2. This change will take place against the background of the proposed privatisation of the Crown Suppliers, for which the necessary legislation is included in the programme for next session which the Lord President will recommend to Cabinet this Thursday. For security reasons, the London Government Car Service has been excluded from the activities intended for privatisation; and Mr Ridley has concluded that the Scottish, Welsh and Northern Irish operations are also unsuitable for privatisation.

FRBAXI

3. The Ministers concerned have agreed to the proposed change of responsibilities, which can be made administratively. Mr Ridley is anxious that the transfer takes place on 1 April 1989, to end staff uncertainty and so that Crown Suppliers can focus singlemindedly and in a commercial fashion on the activities to be privatised. I recommend that the Prime Minister agrees to his proposal.

F.E.R.B.

ROBIN BUTLER

7 March 1989

07. III.

MANAGEMENT IN CONFIDENCE

Prime Minister
Mr Ridley proposes that Govt Car Service be taken out of Crown Suppliers. In London and Territories it goes to PSA; elsewhere it is to be privately contracted out. Cabinet Office agree
Content?
AT 8/3

Prime Minister

MACHINERY OF GOVERNMENT CHANGE: GOVERNMENT CAR SERVICE

I am writing to seek your approval to some adjustments in Ministerial responsibilities for the Government Car Service, which drives Ministers and senior officials in London, Cardiff, Belfast, Edinburgh and Bristol.

Changes to the present arrangements are necessary as part of the programme to privatise The Crown Suppliers (TCS), the Government's furniture, furnishings, transport and fuel procurement agency. Subject to my obtaining legislative time for the necessary Bill, the sale of TCS should take place next year. In preparation for the sale, TCS is reorganising on commercial lines, and to do so effectively must divest itself, by 1 April 1989, of all of its activities which are unsuitable for privatisation. The Government Car Service (GCS) is one of these.

On 28 July 1988, we announced the package of TCS activities which were to be offered for sale. We excluded the London Government Car Service for security reasons. Other TCS activities which were excluded from the sale, notably the design and procurement of security furniture and equipment, the fuel business, and the special unit which provides services to the Palace of Westminster and other royal palaces and civil residences, either have been or are about to be transferred within my command out of TCS into the PSA central or to the Department of the Environment. The proposed arrangements for the car service, however, require some limited changes in Ministerial responsibilities.

PROPOSED ARRANGEMENTS FOR THE GCS

All changes proposed can be made administratively.

I propose to retain responsibility for the London Car Service, but to transfer operational responsibility out of The Crown Suppliers to the Directorate of Home Regional Services in the central Property Services Agency. The Home Secretary has been consulted in his capacity as Metropolitan Police Authority and Minister responsible for Ministerial security, and he supports PSA central taking over this work.

The following arrangements are proposed for the out-of-London services:

(i) Scotland: Scottish Office already drive their own Ministers and are only minority users of the Edinburgh GCS; since the GCS's eight Edinburgh cars and six drivers are operated as an isolated outpost of TCS's Warrington transport operation they are unlikely to be particularly attractive to the purchase of GCS; I therefore propose to retain responsibility for the Edinburgh service, but to transfer operational responsibility out of The Crown Suppliers to the Director of PSA Scotland;

(ii) Wales: Peter Walker has agreed that Welsh Office should take over the two Cardiff cars of which they are virtually exclusive users.

(iii) Northern Ireland: Tom King has agreed that Northern Ireland Office should take over the six Belfast cars, for security reasons;

(iv) England: I propose that PSA South West Region should take over the single car and driver in Bristol, which are unlikely to be attractive to a purchaser of TCS. The drivers in Newcastle and Leeds have taken early retirement; TCS is expected to be able to continue to arrange local car hire contracts after privatisation, on payment of a fee and if required to do so.

There are no significant implications for expenditure and manpower. TCS at present charges users of the Government Car Service. Those taking over its various segments are also expected to charge other users. So far as their own use is concerned the service will be a direct cost of their Department rather than bought in. The drivers and cars will transfer. Some adjustments to Departments' resource costs budgets may, however, be necessary because TCS, as a Trading Fund, has set running cost control whilst Departments are, of course, by and large subject to gross control. Treasury have confirmed that they are content with this, and officials are considering the details.

The target date for the transfer is 1 April 1989.

It is important that TCS should be able to divest itself of activities which are not to be privatised and to end the uncertainty felt by the GCS staff about their future. The staff have known since 28 July that they would have to be transferred from The Crown Suppliers before privatisation, but have not been sure of their destination. I should like therefore to inform the staff very quickly. Discussions about the mechanics of staff transfer can then begin.

Parliament will need to be informed that I am to retain responsibility for the London service. There is, however, some sensitivity about drawing attention to the Northern Ireland service. Under the circumstances, and because the transfers are very small, it might be better not to announce the Cardiff, Belfast and Edinburgh changes. I propose, therefore, to make a limited announcement as soon as I am clear about the date of transfer from TCS to PSA central. In addition, the Car Service will need to inform its customers individually before the changes take place.

I should be grateful for your agreement to what is proposed.

MANAGEMENT IN CONFIDENCE

I am copying this letter to Douglas Hurd, Peter Walker, Tom King, Malcolm Rifkind, Norman Lamont and to Sir Robin Butler.

N R

28 February 1989

CONFIDENTIAL

To [illegible] PU and Cab Office [illegible]

ECPU

SECRETARY OF STATE FOR THE ENVIRONMENT

PRIME MINISTER

FUTURE OF COUNTRYSIDE BODIES

FILED ON GOVT MACH: Rayner PT29

When we discussed value for money initiatives last year, you agreed that a review should be mounted of the three countryside bodies for which I am responsible; the Countryside Commission, the Nature Conservancy Council and the Rural Development Commission. On further examination, an efficiency scrutiny did not seem appropriate in this case, because of the opportunities it would create for speculation and controversy. Instead we are carrying out an internal review, and I want to give you an early indication of the way our thinking is developing and find out whether it accords with your views.

The future of the countryside continues to attract widespread public interest. As a result of greater wealth and mobility, conditions have changed markedly. The reform of the Common Agricultural Policy seems likely to bring about further dramatic changes. There is intense concern for the landscape, wildlife and habitats, as indicated by the mass support for bodies like the National Trust and the Royal Society for the Protection of Birds. We need to be able to demonstrate to public opinion and the European Community that our approach to nature conservation, based on the voluntary co-operation of farmers and landowners, is the right one.

The structure of public bodies is no longer apt for this rapidly changing situation. The Nature Conservancy Council is responsible for nature conservation in Great Britain. Its main activity is declaring and protecting national nature reserves and sites of special scientific interest. Its responsibilities and staffing have grown substantially in recent years and there are indications that it has become over centralised and insensitive to the needs of those who live and work in rural areas. This is counter-productive and has undermined our policy of securing nature conservation objectives through the voluntary approach. Malcolm Rifkind, Peter Walker and I all feel that conservation would benefit if NCCs functions in

Scotland and Wales were taken over by separate Scottish and Welsh bodies. This will need primary legislation and I shall bring proposals to H soon.

Partly to pre-empt criticisms that a Scottish and Welsh NCC would not be viable, Malcolm Rifkind and Peter Walker both want to create a single conservation body in their countries by merging the NCC's functions with those of the Countryside Commissions, which are responsible for protecting the natural beauty of the countryside and promoting public enjoyment of it. For Wales, this will involve splitting up the single Commission which at present serves England and Wales.

I have considered whether it would be appropriate to merge the NCC with the Countryside Commission in England also but have concluded that it would not. The arguments of scale which apply in Scotland and Wales do not apply in England. And despite the close relationship between nature conservation, landscape protection and other countryside matters, I see a sufficiently clear distinction between the activities of the NCC on the one hand, which are primarily directed at the wellbeing of wildlife and habitats for their own sake, and those of the Countryside Commissions, which are concerned with the benefits the countryside provides for people. In England there are sufficient conflicts between these interests to justify the retention of separate bodies for each.

There is much less of a case for the continued retention of the Rural Development Commission, which is responsible for promoting economic and social development in the rural areas of England. Set up in 1909, it originally covered Scotland and Wales, and had much wider functions, embracing for example roads. It is now hard to justify retaining a statutory body at national level for this purpose. Virtually all the rural areas in England now have unemployment rates below the national average. About a third of the Commission's expenditure goes on paying English Estates to provide rented workshops: there are real fears that this is crowding out the

private sector, without creating any net additional employment. There are some special problems in rural areas, for example over housing. But we are providing answers to these through adapting the planning system and by ensuring that these needs receive proper attention in the Housing Corporation's programme.

The Rural Development Commission's own resources are fairly modest and when spread over a large part of England cannot make much impact at the local level. Some activities, like drawing up rural development programmes, are undertaken in collaboration with local authorities, who would be able to carry them on unaided. The greater part of the Commission's activities could be taken over by the private and voluntary sectors, with an important role being played by the Training and Employment Councils Norman Fowler is setting up. There is no equivalent to the Rural Development Commission in either Scotland or Wales. The Highlands and Islands Development Board and the Development Board for Rural Wales confine their activities to the more sparsely populated parts of those countries, where rural problems are clearly more severe than in England.

Moreover, there is a growing overlap between the work of the Rural Development Commission and that of the Countryside Commission, which has also produced a number of reports on the economic and social aspects of the countryside. It is also much involved in encouraging recreation and tourism, particularly through promoting footpath systems and country parks. I believe therefore that there is a strong case for merging these two bodies. Those activities of the Rural Development Commission which are worth retaining, in particular the various useful grant regimes they administer, would sit happily alongside the Countryside Commission's existing grant giving functions. It would be for the new merged Commission to consider much of the advisory services formerly run by the Council for Small Industries in Rural Areas (COSIRA) is worth retaining. The existing factory portfolio would however be disposed of as quickly as possible.

CONFIDENTIAL

The time is ripe for change. Within the next year we would have to find new Chairmen for all three of my bodies. I know that Malcolm Rifkind and Peter Walker are keen to move fast towards the creation of separate bodies for Scotland and Wales. And, once policy decisions are taken, the necessary legislation, which will be straightforward in drafting terms, can be included in the Green Bill which I hope to introduce next session. The Bill will benefit presentationally from reflecting the importance of the natural world, as well as pollution control.

Before working up detailed proposals for consideration by colleagues, I would appreciate your views on this general approach.

NR

28 February 1989

T. Woolley to comment by 3.3.89

PRIME MINISTER

PROPOSED TRANSFER OF FUNCTIONS ORDER
RAG FLOCK AND OTHER FILLING MATERIALS ACT 1951

For historical reasons, responsibility for the above Act currently rests with the Department of the Environment and the Scottish Office. The Act, which applies in England, Wales and Scotland, is designed to secure the use of clean filling materials in bedding, upholstery and other articles by means of licensing arrangements enforced by local authorities. In today's terms, it is an item of consumer safety legislation and more in keeping with the responsiblities of the Department of Trade and Industry.

DTI colleagues are confident that the consumer is now adequately protected from the use of unclean filling materials by the general safety requirement in the Consumer Protection Act 1987 and, where applicable, the relevant British Standards. While we believe that the Rag Flock Act 1951 has outlived its usefulness and can be repealed, a suitable legislative vehicle is not available in the foreseable future.

In the meantime, it would be more sensible for any matters arising from the Rag Flock Act 1951 to be dealt with by DTI, where the technical expertise resides, and I therefore propose that responsibility for the Act be transferred as soon as possible. DTI colleagues agree this course of action, as do those in Scotland and Wales.

As certain sections are vested in named Ministers, the Act cannot be transferred administratively and a Transfer of Functions Order is required under the Ministers of the Crown Act 1975. No staff would need to be transfered to DTI as a result of the change in Departmental responsibilities, since the current workload under the Act is minimal.

SECRETARY OF STATE FOR THE ENVIRONMENT

I should be grateful for your agreement to proceed with the Transfer of Functions Order as soon as psosible. I am copying this minute to the Secretaries of State for Trade and Industry, Wales and Scotland and to Sir Robin Butler.

NR

NR

28 February 1989

GOVT. MACH. Changes in the
Machinery of Govt Part 7





NBPM
AT
22/2

CABINET OFFICE

70 Whitehall London SW1A 2AS

01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robin Butler KCB CVO

Ref. A089/533

22 February 1989

Dear Roy,

Transport Tribunal: Transfer to the Lord Chancellor's Department

Now that the Prime Minister has agreed to your Secretary of State's proposal (his minute of 17 February) to transfer responsibility for the Transport Tribunal to the Lord Chancellor's Department, Sir Robin Butler would be grateful if the terms of the announcement of this decision could be cleared with Machinery of Government Division, OMCS (the contact point is Jonathan Spencer, 270 6140). This will need to be done, presumably by a Written Answer, before the necessary Order is submitted to the Privy Council.

Copies go to Paul Stockton and Andrew Turnbull.

Yours sincerely,

Trevor Woolley

(T A Woolley)
Private Secretary

R J Griffins Esq
Department of Transport



GOVT MACH!

Future of CSD, Pt 7

Cle SRW

ccBS

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

20 February 1989

TRANSPORT TRIBUNAL: TRANSFER TO THE LORD CHANCELLOR'S DEPARTMENT

The Prime Minister has seen your Secretary of State's minute of 17 February. She is content with the proposal to transfer responsibility for the administration of the Transport Tribunal to the Lord Chancellor's Department from 1 April 1989.

I am copying this letter to Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), David Crawley (Scottish Office), Philip Mawer (Home Office), Neil Thornton (Department of Trade and Industry), Carys Evans (Chief Secretary's Office), Peter Smith (Office of the Chancellor of the Duchy of Lancaster), Alan Maxwell (Lord Advocate's Department), and Trevor Woolley (Cabinet Office).

AT

(ANDREW TURNBULL)

Roy Griffins, Esq.,
Department of Transport.

cc PU

Prime Minister

Prime Minister
Agree ?
AT 17/2

Yes mt

TRANSPORT TRIBUNAL: TRANSFER TO THE LORD CHANCELLOR'S DEPARTMENT

1. I am writing to seek your agreement to the drafting of a transfer of functions order transferring to the Lord Chancellor's Department from 1 April 1989 responsibility for the administration of the Transport Tribunal. This is currently vested in me under powers contained in the 1985 Transport Act, Schedule 4.

2. The Tribunal is the appellate body for goods and public service vehicle operator licensing. Its Secretariat (3) is staffed at present by DTp personnel. Judicial members, including the President, are appointed by the Lord Chancellor and non-judicial members are appointed by me. The proposed transfer would not affect the arrangements for appointing members.

3. The main reason for the transfer is that the Lord Chancellor's Department, which has general responsibilities for tribunals, is able to draw on a pool of staff with appropriate experience for the Secretariat. The Council on Tribunals have welcomed the proposal, commenting on the potential benefit for small tribunals such as the Transport Tribunal from the direct administrative support of the Lord Chancellor's Department. A second reason for the change is that the Tribunal will be seen as more obviously independent of the Department of Transport.

4. Negotiations with LCD to ensure the smooth transfer of the Tribunal have been completed. The 1 April as the date for coming into force of the order would greatly simplify the processes. The Privy Council meet next on 15 March. I should be grateful for your agreement to proceed with the drafting of an order so that it can be ready in good time for the March meeting.

5. Since the Transport Tribunal operates throughout Great Britain I am sending copies of this minute to Peter Walker, Tom King, and Malcolm Rifkind, as well as to Douglas Hurd, David Young, John Major, Tony Newton, Peter Fraser and Sir Robin Butler.

PC

PAUL CHANNON

17 February 1989

17. 11. PM 9

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

21 October 1988

TRANSFER OF RESPONSIBILITY FOR THE GOVERNMENT PIPELINE AND STORAGE SYSTEM FROM DEPARTMENT OF ENERGY TO THE MOD

The Prime Minister has seen your Secretary of State's minute of 11 October seeking her agreement to the transfer of responsibility for the Government Pipeline and Storage system from the Department of Energy to the Ministry of Defence; and for the transfer of rights and liabilities under about 200 petroleum production licences from the Department of Trade and Industry to the Department of Energy.

The Prime Minister is content for both these transfers of function to go ahead, and for your Secretary of State to announce the changes along the lines he proposes. She hopes the Secretary of State for Defence will be able to dispense with the Oil and Pipelines Agency when alternative arrangements can be made.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, Secretary of State for Defence, Secretary of State for Trade and Industry and Sir Robin Butler.

N. L. WICKS

Stephen Haddrill, Esq.,
Department of Energy.

CONFIDENTIAL

Prime Minister 1

Agree I should write agreeing to Mr Parkinson's proposals as at Flag B.

N.L.W 20.10

Ref. A088/3061

MR WICKS

Transfer of Responsibility for the Government Pipeline and Storage System from Department of Energy to the MOD

A

The Secretary of State for Energy's minute of 11 October sought agreement to the transfer of responsibility for the Government Pipeline and Storage System (GPSS) from the Department of Energy to the Ministry of Defence. Approval was also sought for the tranfer of rights and liabilities under about 200 petroleum production licenses from the Secretary of State for Trade and Industry to the Department of Energy.

2. There is a good case for the GPSS transfer. The reason for retaining the GPSS in Government ownership derives entirely from MOD needs (although it is also extensively used for commercial purposes in peacetime). Now that direct commercial involvement by Government in North Sea activities is at an end, there is little case for retaining the GPSS responsibility in the Department of Energy: as Mr Parkinson says, it merely adds an unnecessary layer of management. Indeed, the logic of the situation points to the eventual abolition of the Oil and Pipeleines Agency who currently manage the system (it will have a staff of 2, so its functions ought to be capable of being brought into the MOD or contractorised).

3. The transfer will involve minimal disruption and no increase in public expenditure, and is planned to take place at the beginning of the next financial year. Nor should it prove controversial.

FRBAMR

4. The transfer of responsibility for the 200 licenses also sought by Mr Parkinson would not be worth doing by itself. But if a transfer of functions order is needed to deal with the GPSS, it would make sense to tidy up this anomaly at the same time.

5. THE MOD, DTI and Treasury are all content. I accordingly recommend that the Prime Minister should agree these proposals, and the proposed Parliamentary Answer. If the Prime Minister agrees, I attach a draft minute for you to send to PS/Secretary of State for Energy.

F.E.R.B.

ROBIN BUTLER

20 October 1988

DRAFT
CONFIDENTIAL

PS/SECRETARY OF STATE FOR ENERGY

TRANSFER OF RESPONSIBILITY FOR THE GOVERNMENT PIPELINE AND STORAGE SYSTEM FROM DEPARTMENT OF ENERGY TO THE MOD

The Prime Minister has seen your Secretary of State's minute of 11 October seeking her agreement to the transfer of responsibility for the Government Pipeline and Storage system from the Department of Energy to the Ministry of Defence; and for the transfer of rights and liabilities under about 200 petroleum production licences from the Department of Trade and Industry to the Department of Energy.

The Prime Minister is content for both these transfers of function to go ahead, and for your Secretary of State to announce the changes along the lines he proposes. She hopes the Secretary of State for Defence will be able to dispense with the Oil and Pipelines Agency when alternative arrangements can be made.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, Secretary of State for Defence, Secretary of State for Trade and Industry, and Sir Robin Butler.

N L WICKS

Agreed MT

LOG
BAJ

DRAFT ARRANGED PQ ANNOUNCING GPSS TRANSFER

PQ

To ask the Secretary of State for Energy, what progress has been made concerning the transfer of the Government Pipeline and Storage System to the Ministry of Defence.

Draft Reply

My Rt Hon Friend the Secretary of State for Defence and I have agreed, with the approval of the Prime Minister, that his Department will take over the Government Pipeline and Storage System from 1 April 1989. An Order in Council will be laid before the House as soon as possible; this, subject to Parliamentary approval, will formally effect the transfer.

Gov't MACH: Future of CSD
P.7

20. X. PM



Showed to FERB. N.L.W. 20.10

PERSONAL AND CONFIDENTIAL

Told C. Norris D/Emp PM has seen.

Prime Minister

I think to see - no reply needed, N.L.W. 19.10

PRIME MINISTER

SECRETARY OF STATE FOR EMPLOYMENT

WHITEHALL REORGANISATION

It is possible that over the coming weeks at Prime Minister's Questions you may be pressed to say something on the structure of the Trade and Industry Department and the Employment Department. Speculation has resulted from a piece that appeared in the Daily Mail about six weeks ago. (Copy attached).

This has since been repeated in a number of newspapers and the issue is now being regularly raised with me by political journalists. It has also now been raised in discussion by both my departmental trade unions and senior staff with my Permanent Secretary. It is this latter point which concerns me most. Over the next few months, my staff are going to need to see through a series of controversial but necessary measures - including privatisation measures affecting the Department itself. I do not want them to be demotivated by extraneous speculation.

Clearly if they can be reassured at some point that would be helpful - but in any event I thought you would want warning that this issue is in the public arena.

N F

19 October 1988

PERSONAL AND CONFIDENTIAL

Daily Mail 21.8.88

Lord Young set to be Enterprise supremo

THREE INTO ONE AS MAGGIE'S FIXER GETS BIG NEW ROLE

MRS THATCHER is planning her most ambitious Whitehall reconstruction job by merging three departments dealing with industry, expansion and jobs.

Cabinet Ministers involved in a shake-up which will lead to a new super-size Enterprise Ministry include Trade and Industry's Lord Young, Employment's Norman Fowler and Energy's Cecil Parkinson.

On present planning it looks as if both Mr Parkinson and Mr Fowler will lose their jobs as their departments are telescoped into an empire controlling everything that moves on the jobs, investment, and industrial aid front under Lord Young.

Upheaval

The Prime Minister once said that Lord Young brought her solutions where everyone else brought her problems.

The timescale being followed by the Premier suggests that a major reshuffle of Cabinet posts will coincide with the Whitehall upheaval by next summer.

By GORDON GREIG
Political Editor

Mr Parkinson is heavily tipped to succeed Chancellor Nigel Lawson, and Mr Fowler could take over the other Treasury job of Chief Secretary from Mr John Major, who is being groomed as the next Tory chairman to run the Thatcher election machine.

The impulse for redesigning the whole of Whitehall's effort on the industrial front follows the huge privatisation programme and the offloading of a variety of other jobs to independent agencies.

Mrs Thatcher is setting up a small ministerial steering group to mastermind what will be the biggest operation in Whitehall scene-shifting she has undertaken.

In essence, she feels that her programme of deregulation and getting Whitehall off the backs of private enterprise has left a major redundancy problem.

The Premier believes that the Energy Department can be closed down as a separate ministry once Mr Parkinson has sold off its biggest remaining asset — the electricity industry.

With its responsibilities for oil and gas already taken over by the private sector, it has no future.

The same goes for the Employment Department, which has seen its job-creating role gradually taken over by the rest of Whitehall in the new strategy of regenerating the inner cities.

Mrs Thatcher is arguing that its principal role of jobs training and collating statistics can be just as easily carried out under the umbrella of an expanded Enterprise Department.

The changes being planned will give Lord Young a much-needed boost to his power base and a pulpit for preaching the enterprise message.

Importance

At the moment his budget is one of Whitehall's smallest and bears no resemblance to the importance the Thatcher administration attaches in pushing wealth creation by private industry.

The Thatcher blueprint will streamline this strategy by bringing training, the needs of the labour market and the enterprise culture in industry under one Whitehall roof.

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 10/2L

18th October 1988

Dear Charles

My Secretary of State has seen the Energy Secretary's minute of 11th October requesting the Prime Minister's formal approval to the transfer of the Government Pipeline and Storage System from the Department of Energy to the Ministry of Defence on 1st April 1989.

The minute reflects the agreement reached between the MOD and the Department of Energy, with the concurrence of the Treasury, and my Secretary of State is therefore content to assume responsibility for the Government Pipeline and Storage System as proposed, together with the appropriate transfer of public expenditure provision.

I am copying the minute to Allex Allen (HM Treasury) and Stephen Haddrill (Energy) and To Trevor Woolley (Cabinet Office).

Yours sincerely

(S McCARTHY)
Private Secretary

Charles Powell Esq
10 Downing Street

21. X. 1988

CF

cc PU

psu B/F friday. wtL
any FERB comments

PDB 11/10

Prime Minister

TRANSFER OF RESPONSIBILITY FOR THE GOVERNMENT PIPELINE AND STORAGE SYSTEM TO THE MOD

This minute seeks your agreement to the transfer of responsibility for the Government Pipeline and Storage System (GPS) from my Department to the Ministry of Defence.

The GPSS consists of around 1,000 miles of oil pipeline with 27 storage sites in the southern half of England. It was built at the beginning of the second world war to deliver the large amounts of fuel required by military bases, and has been much extended since to military specifications. The System is linked to a further 300 miles of MOD-owned pipelines serving 23 RAF and USAF bases. It was used to store Government stocks of fuel up to the early 1980s when they were sold. Since then, my Department has had no direct interest in the System.

The MOD-owned pipelines are wholly dependent on the GPSS run by my Department. The combined system now meets the entire USAF and around 80% of the RAF need for aviation fuel. In peacetime this accounts for only 20% of the System's throughput and the remaining 80% is hired out to commercial users on a repayment basis. But in time of tension or war the whole system would be cleared of commercial products and made available for the movement of aviation fuel for the two Air Forces.

In 1988/89 the total revenue of the System is estimated to be £25.7 million and the replacement cost of the assets approximately £450 million. The system makes a healthy cash surplus each year but a loss in Current Cost Accounting terms.

The System is currently managed by the Oil and Pipelines Agency (OPA) acting as agent of the Secretary of State. Day-to-day operation is in the hands of a number of private pipeline contractors, also acting as agents of the Secretary of State but reporting in practice to OPA.

It has been agreed by my Department, MOD and the Treasury that the GPSS should pass to MOD on 1 April 1989. This wil enable the MOD to run the combined pipeline system as a single entity. The present arrangement is inefficient, not least because it inserts my Department as an unnecessary extra tier of management in an area unconnected with its objectives. Accordingly, I should be grateful for your agreement that the GPSS should be transferred to the Ministry of Defence.

Only two staff in my Department work full time on the System. They will not transfer with the work; the Ministry of Defence has agreed to provide its own staff. We have also agreed with the Ministry of Defence and the Treasury that there will be a transfer of the public expenditure provision covering the System such that neither Department will be better or worse off. The precise amount will be worked out and agreed by the Departments involved when the transfer takes place. There will be no increase in public expenditure.

If you agree the transfer, there will need to be an Order in Council under the Ministers of the Crown Act 1975 to formalise it, and I would aim to submit this to the meeting of the Privy Council on 15 November to allow for a planned and orderly transfer of responsibilities on 1 April 1989. Parliament was informed in June that we have have been discussing a possible transfer with the Ministry of Defence. I would also propose to make an announcement by an arranged written Parliamentary Question (copy attached) as soon as Parliament re-assembles. It should not be controversial.

I should add that the proposed transfer has implications for OPA. Apart from managing the GPSS, the Agency's role to date has been to collect and sell North Sea oil taken as Royalty in Kind and to maintain arrangements for state participation in UK oil production. As you know, we decided in June that royalty oil would cease to be taken with effect from 31 December this year, and that the participation arrangements would be terminated. (The announcement

is recorded in Hansard for 16 June 1988, column 182). The winding down of most of this work will be completed within a few months, after which OPA's only role will be as managing agent for the GPSS. The Ministry of Defence will need to decide over the coming year or two whether or not to retain the Agency for this purpose.

I also propose to take this opportunity to put right an anomaly in connection with petroleum production licences. Energy matters were the responsibility of the Secretary of State for Trade and Industry between 1970 and 1974. When my Department was established in early 1974, rights and liabilities under some 200 licences then in force were not transferred. They have remained in the name of the Secretary of State for Trade and Industry, although they have been exercised by my Department. It would be convenient to include these rights and liabilities in the transfer order. The additional provisions needed for this purpose would be quite short.

I am copying this to Nigel Lawson, George Younger, David Young and Robin Butler.

C P

SECRETARY OF STATE FOR ENERGY

11 October 1988

DRAFT ARRANGED PQ ANNOUNCING GPSS TRANSFER

PQ

To ask the Secretary of State for Energy, what progress has been made concerning the transfer of the Government Pipeline and Storage System to the Ministry of Defence.

Draft Reply

My Rt Hon Friend the Secretary of State for Defence and I have agreed, with the approval of the Prime Minister, that his Department will take over the Government Pipeline and Storage System from 1 April 1989. An Order in Council will be laid before the House as soon as possible; this, subject to Parliamentary approval, will formally effect the transfer.



FILE KK

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Ack 5 August 1988

I attach a letter the Prime Minister has received from Mr. R. J. Willis.

I should be grateful if you could arrange for a Minister or Private Secretary in your Department to reply on the Prime Minister's behalf.

(P. A. BEARPARK)

Mrs. Flora Goldhill,
Department of Health.

Social Services
Department

Ednam House, St. James's Road, Dudley, West Midlands. DY1 3JJ Telephone: Dudley 456000 Telex: 339831

Your ref: Our ref: RJW/CSB Please ask for: Ext:

3 August 1988

Dear Mrs Thatcher

I think the recent split of the DHSS into two Ministries did not come as a surprise to us although the timing was a bit sooner than we had expected.

Could I express the concern which has already been raised in a number of quarters about the lack of mention of the personal social services, and although we guessed that we would probably be associated with the Department of Health, it took a little while for confirmation of this fact to emerge. However, I think we are very disappointed that the title of the new Ministry does not give any recognition to the personal social services. I wonder, even at this late stage, if it would be possible for for the Ministry to be re-named the Department of Health and Social Welfare.

There is also some anxiety that the splitting of Social Security from Health and Welfare could, in the longer term, make some of the Griffiths recommendations about the funding of community care more difficult to achieve and therefore there is an interest in knowing whether that aspect will be looked at by the Working Party considering Griffiths.

Yours sincerely

R J Willis
Director of Social Services

The Prime Minister
10 Downing Street
London SW1.

MJ2 COM

RC

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

RESHUFFLE: MINISTERIAL RESPONSIBILITY FOR THE OFFICE OF POPULATION, CENSUSES AND SURVEYS (OPCS)

The Prime Minister discussed with you this morning your minute of 25 July in which you recommended that following the division of the Department of Health and Social Security, ministerial responsibility for OPCS should lie with the Secretary of State for Health.

After some discussion, the Prime Minister agreed with your recommendation that the Secretary of State for Health should exercise oversight of the OPCS. But she expressed some uncertainty about whether a separate existence for the OPCS could be justified. She wondered whether there was not a case for dividing that Office's functions between the Department of Health and the Department of Social Security. Another possibility was to brigade the OPCS' functions with those of the CSO.

The Prime Minister would be grateful if you could consider the possibilities here and let her have your views. Meanwhile, she is content, as I have recorded above, that ministerial oversight of the OPCS should rest with the Secretary of State for Health.

N.L. Wicks
26 July 1988

FILE DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

COMMON SERVICES IN THE DEPARTMENTS OF THE ENVIRONMENT AND TRANSPORT

I have shown the Prime Minister your minute of 22 July in which you recommend that the common services in the Departments of the Environment and Transport and those Departments' common citizenship should be terminated.

The Prime Minister is content that the arrangements recommended in your minute should be implemented.

I am sending copies of this minute to the Private Secretaries to the Secretaries of State for Environment and Transport, and to Sir Terence Heiser, Sir Alan Bailey, Sir Gordon Manzie and Sir Peter Middleton.

N. L. W.

(N.L. WICKS)

25 July 1988

Robin tells me that 50% of OPCS's work is for the Health side.

Prime Minister

I have discussed this matter with F.E.R.B. He is firmly of the view that O.P.C.S. should go to Health. Apparently, O.P.C.S. has much less operational connection with Social Security. Agree it should go to Health? N.L.W. 25.7

Ref. A088/2289

MR WICKS

Reshuffle: Ministerial Responsibility for the Office of Population, Censuses and Surveys (OPCS)

A point which needs to be settled is the Ministerial responsibility for OPCS. If this can be settled in time for the announcement, it would be a help to the Registrar General, who can inform her staff and also deal with any press inquiries. This is a separate office (ie not part of the present DHSS or either of the new Departments) but needs a Minister to exercise oversight of, and answer for, it.

2. I have consulted Mr France about this and his advice is that it would be appropriate for the Secretary of State for Health to exercise this oversight. This is because OPCS's function is to establish facts about the shape of the population which are vital to public health, but subsidiary to social security. Mr France has discussed this matter with the Registrar General of the OPCS who endorses this advice.

3. Would the Prime Minister agree that Ministerial oversight for OPCS should rest with the Secretary of State for Health?

F.E.R.B.

ROBIN BUTLER

25 July 1988

SECRET 3a-b AND PERSONAL

a

Office of the Parliamentary Counsel 36 Whitehall London SW1A 2AY
Telephone Direct line 01 210 6600
Switchboard 01 210

N L Wicks Esq CBE
Principal Private Secretary
10 Downing Street
London SW1

22 July 1988

Dear Nigel

SPLITTING THE DHSS

Thank you for sending me a copy of your minute to Robin Butler.

Lapsing of Offices. The Office of a Minister of State and Parliamentary Secretary cannot lapse because they are generic descriptions: see the definition in S9 of the House of Commons Disqualification Act 1975. What is meant, I think, is simply that with the disappearance of the Department there will no longer be persons holding offices of that description with responsibilities there. And that really goes without saying.

As for the Secretary of State for Social Services it is still under consideration whether it will be necessary or convenient for one of the new Secretaries of State to hold (or continue to hold) that office as a "phantom office" during the period between the new appointments and the coming into force of the Transfer of Functions Order which will be necessary to divide up the property, rights and liabilities now vested in the Secretary of State for

Social Services as a corporation sole. Indeed, because of the status of that Secretary of State as a corporation sole the office will continue in existence whether or not it is currently filled.

In short, it would be better to leave out the sentence about lapsing.

Lord Skelmersdale. The definition of Parliamentary Secretary in S9 of the 1975 Act describes him as an assistant to a Member of the Government. I do not think this prevents a Parliamentary Secretary appointed to assist in one Department from being given additional responsibilities in another. There is indeed a precedent for a person holding Parliamentary Secretaryships in two Departments simultaneously though our papers contain some discussion of the propriety of that arrangement. But the present proposal is not I think of that kind.

A copy of this goes to Robin Butler.

Yours ever,

Henry

C H de Waal

Prime Minister

Agree that DOE and DTp should be separated as F.E.R.B. proposes below?

N.L.W.
22.7.

Ref. A088/2253

MR WICKS

Yes ✓

Common Services in the Departments of the Environment and Transport

Between 1970 and 1976, the work of the Departments of the Environment (DOE) and Transport (DTp) was unified under one Secretary of State. When the two Departments were separated in 1976, some support services continued to be provided by DOE on behalf of DTp ("Common Services"); and the staff retained the same terms and conditions of service and the right to be posted to either Department ("Common Citizenship"). Over the last 12 years, some of the original common services have been separated; for example, economic, legal, scientific and statistical work. But common citizenship continues, together with a group of shared personnel and management services functions under a Grade 2 Principal Establishment Officer, who reports to both Sir Terry Heiser and Sir Alan Bailey.

2. In 1986 Sir Robert Armstrong consulted the Prime Minister about a proposal that work on DTp's personnel and management services should be separated, and that common citizenship would end. The two Departments' Regional Offices would, however, continue to operate on a joint basis. The Prime Minister rejected the proposal at that time, commenting that there were insufficient grounds for change, and noting the costs involved. DTp have now renewed that proposal, for the reasons set out below.

3. Since 1986 things have moved on and there have been significant further developments which strengthen the case for separation. In particular the proposal runs with the grain of the further reforms of Civil Service management.

TAWAHY

- It would recognise the increasing divergence in the management needs of the two Departments. DTp is largely an executive Department, with 80 per cent of its staff outside central London providing direct services to industry and the public through regional network offices (eg vehicle and driver licensing, the Marine Survey Service, testing of heavy goods vehicles and public service vehicles, providing the driving test). It has already been decided that some of these services should be provided by Executive Agencies; and others are likely to become candidates soon. By contrast DOE (excluding the PSA) is overwhelmingly concerned with policy and legislation.

- The Next Steps initiative seeks to improve services to customers and efficiency by getting a better fit between the nature of the work and the financial and management responsibility for providing it. So far as is possible, both personnel and financial responsibility should be delegated to executive agencies. This approach is inconsistent with DOE/DTp's present common service regime which inevitably encourages uniformity rather than the flexibility and decentralisation which is needed.

- The FMI and the move to running costs control increase the importance of making each department directly accountable for all its resources. The current separation of responsibility for personnel and finance in DOE and DTp runs counter to these developments. Moreover the trend towards untying departments from common services (such as the COI and HMSO), and the

work of the Central Unit on Purchasing, point firmly towards more competition and more effective departmental choice and control and away from the common services approach.

4. When the earlier proposals were put to the Prime Minister in 1986, it was estimated that the costs of a total separation of the Departments' common services would be significant. The proposals have been re-worked in detail, taking account of changes since then. It is now estimated that the transitional costs would be not more than £100,000-£170,000 in the first full year (compared with the combined running costs of the two Departments of £400 million a year) and DTp believe that they should in due course be able to save some junior posts. In any event, DTp would undertake to absorb the transitional costs within existing running costs provision. There would be no change in the total number of posts at Grades 2 to 5. The present joint Principal Establishment Officer would in future work solely for DOE, whose present Grade 2 posts are all very heavily loaded. DTp's Principal Finance Officer would take on the additional work of Principal Establishment Officer.

5. The departmental Trades Unions will object to the ending of common citizenship. It reduces their influence and their scope to press for uniformity of treatment. Yet the practical benefits staff receive from common citizenship are minor: last year, only about 500 of the 40,000 staff in DOE, DTp and PSA were posted across the boundaries between the Departments, and these postings were mainly at junior administrative levels. In line with usual practice, it is proposed that all staff in the Departments would be invited to express a preference for the Department in which they wished to serve; these preferences

would be followed wherever possible. Interchange would remain possible. The Departments do not believe that separation would create serious problems with their staff.

6. The Secretary of State for Transport strongly favours these proposals. The Secretary of State for the Environment would not oppose them (while he does not regard them as essential) provided no costs of the change fell on his Department and the Grade 2 PEO post is left with DOE. The Treasury, too, would be content provided that any costs were absorbed within existing running cost provision.

7. For my part, I too recommend that the division should now be made. It recognises reality. The two Departments have been separate for twelve years now and are not likely ever to be re-united. The separation is consistent with the current direction towards local management responsibility and DTp are prepared to achieve it within their present running costs provision.

8. If the Prime Minister agrees, the staff will be informed of the change in September and it will take full effect from 1 April 1989. There would be no need for a Parliamentary or public announcement.

9. I am sending copies of this minute to the Private Secretaries to the Secretaries of State for Environment and Transport, and to Sir Terence Heiser, Sir Alan Bailey, Sir Gordon Manzie and Sir Peter Middleton.

F.E.R.B.

ROBIN BUTLER

22 July 1988

TAWAHY


22.VIII

4A

Ref. A088/2268

MR WICKS

Splitting the DHSS: Press Notice

Thank you for your minute of 21 July. top enc.

2. Of the two specific points you raise, I agree with Henry de Waal's advice on the first.

3. On your second point, I think that Lord Skelmersdale's Ministerial responsibilities should be confined to the Department of Health even if this means altering the balance of work between the three existing Parliamentary Under Secretaries of State in the DHSS. That is not to say he cannot be the Spokesman in the House of Lords for the Department of Social Security - but that is rather different. Even if the reference in the Notes to Editors to "duties in connection with the work of the Department of Social Security" applies to the role envisaged for Lord Skelmersdale as a House of Lords Spokesman, I doubt whether it needs to be included in the Notes for Editors. As far as I am aware it is not the practice to detail House of Lords spokesmen when issuing press notices of Ministerial appointments. So I suggest deleting the last sentence of the Notes for Editors. If it were decided that Lord Skelmersdale should be given some duties in the Department of Social Security as well, which I would not recommend if it could be avoided, that could be dealt with at a later stage.

F.E.R.B.

ROBIN BUTLER

22 July 1988

GOVT MACH: future of CSD pt 7.



SECRET AND PERSONAL

NLW

3(A-B)

NLW
Telephoned Mr: de Waal re error in the attached list, i.e. "Services" should read "Security". AC. 22/7/88

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

SPLITTING THE DHSS: PRESS NOTICE

I should be grateful for your comments, and those of Henry de Waal, to whom I am copying this minute, on the draft text of that part of the Press Notice which would announce the splitting of the DHSS. Some particular points on which I would welcome guidance are:

(i) Is it right to say that the offices of the Secretary of State for Social Services and those of the other Ministers in his Department will lapse?

(ii) According to the February 1988 edition of "List of Ministerial Responsibilities", Lord Skelmersdale's responsibilities cover both the social security and the health sides of the DHSS. I have allocated him to the Department of Health in the Press Notice and indicated in the Notes for Editors that he will also carry out duties in connection with the work of the Department of Social Security. Does this formulation cause problems?

June Drever here will need some advice on Monday about the drafting of the formal submissions to The Queen seeking Her Majesty's formal approval for the changes as they affect the new Department. I hope that she can look to Henry, or one of his people, for any help she needs.

I should be grateful for comments by 1800 hours tomorrow night, Friday.

I am sending a copy of this minute to Henry de Waal.

N.L.W.

N.L. WICKS

21 July 1988

SECRET AND PERSONAL

B

MINISTERIAL APPOINTMENTS

The Queen has been pleased to approve the following appointments:-

Department of Social Security	
Secretary of State for Social ~~Services~~ Security	?
Minister of State	Nicholas Scott, Esquire, MBE, MP
Parliamentary Under-Secretary of State	?
Department of Health	
Secretary of State for Health	?
Minister of State	?
Parliamentary Under-Secretary of State	?
Parliamentary Under-Secretary of State	The Lord Skelmersdale

[and the other changes to be announced]

EL3CYP

C.

NOTES FOR EDITORS

The Department of Health and Social Security will be divided into two new departments: the Department of Social Security and the Department of Health. The offices of the Secretary of State for Social Services and the Ministers of State and the Parliamentary Under-Secretaries of State in the Department of Health and Social Security will lapse. Mr. Nicholas Scott, the Minister of State, Department of Social Security, will be the Minister responsible for co-ordinating policy towards the disabled. Lord Skelmersdale, Parliamentary Under-Secretary of State, Department of Health, will also carry out duties in connection with the work of the Department of Social Security.

[and other notes for editors]

SL3BDF

SECRET AND PERSONAL

KK

file

cc: NLW.

2A.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

SPLITTING THE DHSS

I have shown the Prime Minister your minute of 20 July about the legal consequences of splitting the DHSS.

The Prime Minister is glad to see that no significant legal difficulties about the split have been identified. As regards the title of the new Departments and of their Ministers, she agrees with your recommendation; namely "Department of Health" and "Department of Social Security", and "Secretary of State for Health" and "Secretary of State for Social Security". Concerning the Minister for the Disabled, she thinks it would be best if responsibility for this work lay with the social security side since that side carries the main burden of the expenditure involved. She would therefore wish that responsibility for co-ordinating policy towards the disabled should rest with the Minister of State in the Department of Social Security. Finally, she is glad to see there is no difficulty in Mr. Moore retaining the Chairmanship of H(A) should he become Secretary of State for Social Security.

N.L.W.

N. L. WICKS
21 July 1988

SECRET AND PERSONAL

APPTS

Ref. A088/2214

Prime Minister content to proceed as in §7 below?

PRIME MINISTER

Yes

Splitting the DHSS

N.L.W. 20.7

The splitting of the DHSS has some consequentials for Permanent Secretary appointments, which need to be settled before those concerned are informed.

2. In the DHSS at present, there is a full Permanent Secretary post (Grade 1) held by Mr France and a second Permanent Secretary post (Grade 1A) held by Mr Partridge. There are two other second Permanent Secretary posts on the health side, held by the Chief Medical Officer and the Chief Executive of the NHS Management Board.

3. I recommend that the head of each of the new Departments should be a full Permanent Secretary (Grade 1) and that the Permanent Secretary of the Department of Health should be Mr France, and the Permanent Secretary of the Department of Social Security should be Mr Partridge.

4. You will remember that, when Mr France was appointed in succession to Sir Kenneth Stowe, you and Sir Robert Armstrong took the view that Mr France should be in charge of the health side and Mr Partridge should lead social security. But Mr Fowler preferred strongly that it should be the other way round, and you allowed him to have his preference. Mr France eventually accepted this decision, although only with great unhappiness.

5. It might now be argued that, since Mr Partridge has been leading the health side of the Department during the Review of the National Health Service, in the interests of continuity he should continue there and Mr France should go to the Department of Social Security. I do not think that this is the necessary conclusion or that it would be fair or acceptable to Mr France.

SASADO

The Department of Health will be seen as the more important command, and until last year, all of Mr Partridge's career in DHSS had been spent on social security. Although there are undoubted arguments of continuity for not taking Mr Partridge off the NHS Review now, much of the detailed work has been done by Mr Heppell and a team supporting him, and Mr France, as Permanent Secretary of the Department, has of course had to be very well acquainted with the issues.

6. For these reasons, I do not think that there are overwhelming objections to moving Mr Partridge away from the health side now. If there were thought to be such objections, I should prefer to keep him there as a second Permanent Secretary (which the importance of the NHS Review over the next year or two could probably justify) and appoint a new Permanent Secretary to the Department of Social Security. But, unless there is very heavy pressure for this from the new Minister, I should prefer not to do so.

7. I therefore recommend that Mr France be the Permanent Secretary of the Department of Health and Mr Partridge the Permanent Secretary of the Department of Social Security, and that I should have your permission to put this proposal to Mr France at the same time as you are telling the Ministers of their new appointments. If, unexpectedly, Mr France himself were to take the view that he should go to social security and that Mr Partridge should be in charge of the Department of Health, I should consult you again; but I should be astonished if that were the outcome.

Agreed ms

R.E.R.B.

ROBIN BUTLER

20 July 1988

SASADO

Prime Minister
No problems here.

Do you agree F.E.R.B's recommendations on X, Y and Z?

N.L.W
20.7

Ref. A088/2228

MR WICKS

Yes - except about the Minister for the Disabled not

Splitting the DHSS

I have now consulted First Parliamentary Counsel, and no significant legal difficulties about the split have been identified. A Transfer of Functions Order (negative resolution) would be required. As you will see from First Parliamentary Counsel's letter (copy attached), there might be some problems to be overcome in relation to the title of the hospitals, which attach to the Secretary of State for Social Services until the Transfer of Functions Order comes into effect, but it should be possible to find a solution to that either under Section 3 of the Ministers of the Crown Act 1975 or by appointing the new Secretary of State for Health also Secretary of State for Social Services.

2. There are three points (in addition to my separate submission about Permanent Secretaries) which the Prime Minister might find it helpful to decide before seeing the Ministers concerned:-

(i) The Titles of the New Departments

I suggest that the new Departments should be called "Department of Health" and "Department of Social Security". We envisage that the "Department of Health" should also have responsibility for personal social services and so another option would be to describe it as the "Department of Health and Personal Social Services". But this is even more of a mouthful than the present title and too similar to it. So I recommend

FRBAJN

that the shorter title be adopted. Similarly I recommend that the Secretaries of State should be called "Secretary of State for Health" and "Secretary of State for Social Security".

(ii) Minister for the Disabled

A distinct Ministerial responsibility for disablement matters has existed at least since 1974, and I imagine that the Prime Minister would wish it to continue. The list of Ministerial responsibilities describes the role as "responsible for co-ordinating policy on disablement and for benefits, aids and services for disabled people".

The title has previously attached - mainly for workload reasons - to the Minister of State on the Social Security side. Following a split, my view is that this responsibility would lie better with the Health side. Social Security benefits are undoubtedly a crucial element in the support of the disabled: but the main weight of Ministrial involvement must surely be in the development of services. - I think it goes best with Social Security. - that is the main element in expenditure.

In view of the scope for bickering about this, and because the press and the disabled lobby will want an early and clear answer, I recommend that the Prime Minister should indicate at the outset her view that responsibility for co-ordinating policy towards the disabled should rest with the Minister of State in the Department of Health, and she should say this when telling the new Secretaries of State of their roles: it would of course be right to emphasise that the responsibility continues to be a co-ordinating one, covering employment aspects as well as health and social security.

(iii) Chairmanship of the Ministerial Committee on Aids

The Prime Minister will recall that, following Lord Whitelaw's retirement, Mr Moore has been Chairman of the H(A) Committee, and he has done this very well. It was always seen as a difficulty that he had a major responsibility in this field and it has been necessary to have the Minister of State (Mr Newton) on the Committee as well. If Mr Moore becomes Secretary of State for Social Security, he would be in a more neutral position and there would be no difficulty about his retaining the Chairmanship of H(A), with the new Secretary of State for Health coming on the Committee as a member. This does not need to be decided before the announcement but, if the Prime Minister agrees that Mr Moore might remain Chairman of H(A), it is a small point which could be used to lessen the disappointment which he might feel about the split of the Departments.

Z
Good

F.E.R.B.

ROBIN BUTLER

20 July 1988

PERSONAL AND **SECRET**

CABINET OFFICE
A 7759
19 JUL 1988
FILING INSTRUCTIONS
FILE No. .....

Office of the Parliamentary Counsel 36 Whitehall London SW1A 2AY
Telephone Direct line 01 210 6600
Switchboard 01 210

Sir Robin Butler KCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

19 July 1988

Dear Robin,

It is I think clear that Her Majesty could under the Royal prerogative appoint two Secretaries of State with new titles and divide between them any functions now entrusted to the Secretary of State for Social Services so far as vested by law in the Secretary of State at large. All the principal functions relating to the national health service and to social security are of this kind.

A Transfer of Functions Order would however be needed -

(a) to amend any relevant statutory provisions which refer in terms to the Secretary of State for Social Services or to the DHSS; and

(b) to transfer to the new Secretaries of State the property, rights and liabilities relevant to their functions now vested in the Secretary of State for Social Services as a corporation sole and for that purpose to incorporate the new Secretaries of State.

All this, together with other nuts and bolts, can be done under s.2 of the Ministers of the Crown Act 1975.

We have found about a dozen provisions (none of momentous importance) that would need attention under (a) above and the nuts and bolts would probably need to include, in relation to the new Secretaries of State, provisions on the lines of paragraphs 6 and 7 of Schedule 1 to the 1975 Act which at present apply to the Secretary of State for Social Services and possibly something about pending legal proceedings.

The property in (b) will of course include all the hospitals. In the period between the appointment of the new Secretaries of State and the coming into force of the Transfer of Functions Order these and other relevant property, rights and liabilities will continue to be vested in the Secretary of State for Social Services. Any difficulty caused by this could to some extent be dealt with under s.3 of the 1975 Act. Alternatively one of the new Secretaries of State could be appointed to that office as well. I leave aside questions of property outside this country and therefore beyond the reach of an Order.

Since a Transfer of Functions Order containing the matters described above would not itself provide for the dissolution of the DHSS it would not be subject to affirmative procedure under s.5(1) of the 1975 Act. There is in fact no precedent for dissolving a Secretary of State department by Transfer of Functions Order. The DTI in 1974 and the Department of Prices

and Consumer Protection in 1978 both disappeared without any provision to that effect in the consequential Orders neither of which followed the affirmative route.

As you know, there is at present room for one more salary for a Secretary of State under Part I of Schedule 1 to the Ministerial and Other Salaries Act 1975.

I should be grateful for a sight of the wording of the proposed announcement.

A copy of this goes to Spencer.

Yours ever.

Henry

C H de WAAL

Pb to see
TM.

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robin Butler KCB CVO

Ref. A088/2150a

14 July 1988

Dear Chris,

Splitting the DHSS

Many thanks for your letter of 11 July about the James Naughtie article, on which I have had a word with Nigel Wicks.

We have now entered the season of reshuffle stories and, while I well understand that this one must be unsettling to the DHSS, I am sure that it would be wrong to be provoked by press speculation. Once we start down that road, we become easy prey to all the kite-flying artists. I certainly recognise that this makes management of the Department even more difficult than usual. But stories of this sort are a perennial hazard at this time of the year and there is at least the consolation that, by their very nature, their shelf-life is short.

I am copying this to Nigel Wicks.

Yours ever,

Robin

C W France Esq CB

GOVT MACH · Treasury + CSO PT7

PM 88



CONFIDENTIAL

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000
From the Permanent Secretary
C W France CB

Sir Robin Butler KCB CVO
Cabinet Office
70 Whitehall
London SW1

11th July 1988

Dear Robin,

SPLITTING THE DHSS

You and I have spoken once or twice recently about the constant Press reports of the "expected split of the DHSS". The latest appears in to-day's Guardian in an article by James Naughtie.

2 You have been good enough to reassure me that there was no planning going on along these lines, and Nigel Wicks has done the same when I have raised the matter with him.* That has been a help when it has come to containing the position within the Department. But I am doubtful whether it is any longer enough.

3 On Thursday I spoke to a large group of our younger, brighter people from local offices. The first question was about the impending split of the Department, as I had guessed it would be. This morning I find in my in-tray a letter from a senior officer out on secondment bidding for a place in the new Health Department when the split comes. My Secretary of State is under corresponding pressure on the political front, and fully shares my concern about the damage it does. Neither of us can make completely unequivocal public assertions about the continuance of the DHSS because, especially given the flow of unchecked rumour, it would be foolish and pretty unconvincing to exclude the outside chance.

* I did not - I said I could not react to every rumour. If he did, he would be ready all day + when he did not it would be taken as confirm

/4 ..

E.R.

4 The political and management tasks facing this Department are as considerable as any in Government. Tackling them with single-minded commitment is the only way of going about it. But the constant rumours are undermining the possibility of that commitment. Too many people are too concerned about their futures under a new regime, and outside interests could be excused for not taking the DHSS too seriously.

5 I am driven to the conclusion that continued reaction to rumour falls short of what is needed. I know there are no magic words in this business, but could there not be some firm Press briefing to the effect that 1988 (at least) will not see a split? If not, people will go on drawing their own conclusions and hedging their positions accordingly, to the detriment of the good management of public business.

6 I am copying this to Nigel Wicks.

Yours ever,

Chris.

SECRET AND PERSONAL

Prime Minister
For your discussion with F.E.R.B. tomorrow. On the point at X, I fear that much notice will give rise to a leak. Unfortunately, the public presentation may suggest minimal notice. N.L.W. 4.7

Ref. A088/2036

MR WICKS

This work was commenced by you some time ago.

Machinery of Government Changes

This minute sums up the conclusions of the work done so far by the Machinery of Government Division in OMCS on splitting the Department of Health and Social Security (DHSS) and the future of the Department of Energy.

2. First, a health warning. This work has been done within the OMCS on an entirely private basis. While we are reasonably confident in the conclusions, it would be worthwhile checking them as soon as possible with First Parliamentary Counsel. If the Prime Minister wants to pursue the possibility of these changes, I recommend that she should authorise that consultation with First Parliamentary Counsel now. We also need, at as early a stage as possible, to consult the Permanent Secretaries of the Departments concerned, who would themselves need to take the advice of their Establishment Officers and probably a small number of other people. I would not recommend that this should be done before the Secretaries of State concerned are told of the Prime Minister's intention, since this would put the Permanent Secretaries in a false position with their Ministers. But it does point towards setting the Permanent Secretaries in action simultaneously with the Secretaries of State being told and to allowing the maximum number of hours before the announcement so that some details can be settled before questions have to be answered and so that the staff concerned can be properly informed.

X

Splitting the DHSS

3. The natural division would be to return to the pre-1968 arrangement whereby the Department of Health was responsible for

SECRET AND PERSONAL

FRBAII

health and personal social services and the Department of Social Security was responsible for the payment of social security benefits and (with the Inland Revenue) the collection of National Insurance contributions.

4. The Secretary of State for Social Services is at present supported by two Ministers of State, one on the health side and the other on the social security side. Each is supported by a Parliamentary Secretary and a third Parliamentary Secretary represents both sides of the Department in the House of Lords. Unless the Prime Minister wanted to increase the Ministerial team by one, the creation of a new Secretary of State could be offset by a reduction of one in this Ministerial team, probably the Minister of State on the social security side.

5. The two new Departments would have a very different shape:

i. The Department of Health would have a staff of about 9,000, with some 38 posts at Under Secretary or above.

ii. The Department of Social Security would have a staff of about 90,000 and about 10 posts at Grade 3 or above.

For a transitional period it would be essential to retain common citizenship (so that staff could exchange between the two) and common services (personnel, economics, statistics, research management, operational research, legal and computer services): this would need about 15 staff at Grade 3 and above.

6. In legal terms the split looks straightforward. The bulk of the functions are vested simply in "the Secretary of State", rather than in the Secretary of State for Social Services by name, and a split between two new Secretaries of State could therefore be done administratively with only a tidying-up Transfer of Functions Order (negative resolution) to transfer any property, rights and liabilities which are currently vested

in the Secretary of State for Social Services by name. One issue which would need to be resolved, and could perhaps be left to be resolved between the time of informing the Secretary of State and making the announcement, is where the Ministerial responsibility for the disabled should reside. The Minister with responsibility for the disabled would continue to have a co-ordinating role between health, social security and employment services, and it is for consideration whether this would be best done in the Health or the Social Security Department.

7. One result which might be seen as a disadvantage of the creation of a Department of Social Security is that it would have a very narrow focus, with responsibility only for policy and delivery of contributory and non-contributory social security benefits and for occupational pensions policy. There is therefore a risk that the Department and its Ministers would become a "Ministry for Claimants". If this were considered a danger, the Prime Minister might wish to consider in due course a further merger of the new Department with at least part of the Department of Employment. Such a merger would bring together responsibility for getting people into employment with responsiblity for the payment of benefits: it would therefore balance the viewpoint from which the Department looked at its clients and would also contribute towards more convenient treatment for the beneficiaries by paving the way for people being able to get to their social security and employment services from one Department.

8. If the Prime Minister wanted to take a step falling short of an actual separation of the Department of Health and Social Security another alternative would be the appointment of a second Cabinet Minister within DHSS. There are precedents for this in Mr Callaghan's Government; and of course precedents for dual Cabinet Ministers in other Departments under the present Government.

Merger of the Department of Energy and the Department of Trade and Industry

8. The Department of Energy is the smallest of the main Goverment Departments, with about 1,000 staff and 14 posts at Grade 3 level or above. The privatisation of the electricity industry is likely to continue to provide substantial work for the Department until 1991; and coal, atomic energy, gas regulation and development and international energy issues are all actually or potentially controversial. But the long term prospect is for a decline in the work of the Department.

9. Similarly, the load at Secretary of State level arising from the Department of Trade and Industry (DTI) work ought to diminish from 1989 onwards by comparison with that of the mid-1980s as a result of the sale of Rover, BSC and British Shipbuilders, leaving the DTI with no nationalised industry work other than the Post Office; the changes in regional and industrial policy announced earlier this year will reduce the DTI's involvement with large industrial companies; as will the creation of Next Steps "agencies" for significant parts of the DTI's work.

10. So, although the merger of the DTI and the Department of Energy at present would create an uncomfortably large Department with 75 staff at Grade 3 or above - second in size only to the Ministry of Defence - the number should come down over the next few years. However, this does depend on the Secretary of State of the combined department having adequate assistance with the heavy representational load of inner cities work currently borne by the Chancellor of the Duchy of Lancaster; good quality junior Ministers to whom he could delegate in all four areas of the Department's work (trade and industry, energy, city/corporate affairs, industrial/enterprise/technology); and the maintenance of industrial profitability remaining broadly at the levels now

reached, so that the fierce pressures of the 1970s and early 1980s for Government intervention and support do not recur.

11. Given the conditions in the previous paragraph, the merger of the Department of Energy with the DTI seems a better solution than the merger of the Department of Energy with the Department of Transport (which would have no real logic) or some re-formation of the DTI, Department of Energy and the Department of Employment into a Department of Enterprise and a Department of Regulation (as considered in early 1987). All developed countries where there is no separate energy department (notably Japan, Germany, Italy, Spain and France) combine energy with industry and the merger fits well with the DTI's experience on privatisation, its emphasis on the promotion of free markets and its responsibilities for competition policy and other regulatory activities.

12. The bulk of the functions are vested in the "Secretary of State" rather than a particular Minister, and changes could therefore be effected administratively with a Transfer of Functions Order (negative resolution) to tidy-up any property, rights or liabilities vested in the Secretary of State by name. Since the legal form would be a merger care would have to be taken not to refer to the "abolition" of the Department of Energy.

13. The remaining question arises on <u>timing</u>. It would be easier for the DTI to take on the extra functions of the Department of Energy in a year's time than it would be now. Moreover, the question cannot be separated from personalities. It would be invidious to ask Mr Parkinson to become a Minister within the DTI under Lord Young. On the other hand, it looks difficult to detach Mr Parkinson from his energy responsibilities for the time being. If Mr Parkinson has to stay and Energy cannot therefore be merged with DTI for the time being, the question arises whether DTI could do without a second

Cabinet Minister under Lord Young. While there are precedents for a Peer to be Secretary of State in a Department without a House of Commons Minister in the Cabinet (eg Lord Carrington at the Ministry of Defence from 1970-74, and Lord Soames at the Civil Service Department) it is doubtful whether this would be acceptable in a Department with such wide and politically important interests as the DTI.

13. You mentioned to me that the Prime Minister had in mind the possibility that the second Cabinet Minister post currently in the DTI could be removed and that Mr Parkinson would answer for the DTI in the House of Commons while remaining Secretary of State for Energy. You would need to consult Parliamentary Counsel on whether there is any legal obstacle to an arrangement of this sort, but in any case it seems to me to have great difficulties. I doubt whether it would be acceptable to Mr Parkinson to answer in the House of Commons for Lord Young's policies at the DTI without having any responsibility for them; and I doubt also whether such an arrangement would be acceptable to the House of Commons. It would also introduce a new complication to relationships between the DTI and the Department of the Environment on inner cities policy where the relationships are complicated enough already.

Conclusion

14. Subject to legal advice there does not appear to be a technical difficulty about dividing the DHSS into two Departments or about merging the Department of Energy with the DTI. The practical difficulties arise on personalities and timing connected with the merger between the Department of Energy and the DTI. If the Prime Minister wishes to keep Lord Young as Secretary of State for Trade and Industry and Mr Parkinson in charge of Energy it seems to me difficult either to merge the two Departments (which would involve bringing Mr Parkinson under Lord Young) or to keep them separate and abolish the second Cabinet post in the DTI. If therefore the

Prime Minister wants to split the DHSS, it may be necessary to add one extra Minister to the Cabinet at least until the Department of Energy and DTI can be merged or the DTI has a Secretary of State in the Commons. On a Civil Service matter, it would help if the merger of the DTI and the Department of Energy could take place before or only very shortly after Sir Brian Hayes retires in May 1989, so to avoid the appointment of a Permanent Secretary to a post which would shortly be abolished.

F.E.R.B.

ROBIN BUTLER

4 July 1988

ERBALL

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

C87/5099

P A Bearpark Esq
10 Downing Street
LONDON SW1

19 November 1987

Dear Andy, AB 19/11

CHANGES TO MANAGEMENT OF CIVIL SERVICE

On 7 August the Prime Minister announced that certain functions of the then Management and Personnel Office (MPO) were to transfer to the Treasury, and that the MPO was to be reconstituted as the Office of the Minister for the Civil Service. The Press Notice indicated that a Transfer of Functions Order would be laid before Parliament in due course. The changes came into effect administratively on 1 October.

... I now enclose for information a corrected proof of the Transfer of Functions Order, which is being sent to the Privy Council Office. The Order has been approved by the Minister of State, Privy Council Office, Sir Robert Armstrong and Sir Peter Middleton. We expect it to be made on 26 November, and laid before Parliament on 4 December. It is subject to negative resolution Parliamentary procedure.

Some consequential changes to the Civil Service Order in Council 1982 will be set out in a separate Civil Service (Amendment) Order in Council. This will be made at the Privy Council meeting on 18 December, to come into force on the same day as the Transfer of Functions Order. The Civil Service (Amendment) Order in Council will not be subject to any Parliamentary procedure.

I am copying this letter to Trevor Woolley (Cabinet Office)and Dick Saunders (HM Treasury).

Yours ever,
Eleanor

MISS E M GOODISON
Private Secretary

STATUTORY INSTRUMENTS

1987 No.

MINISTERS OF THE CROWN

The Transfer of Functions (Minister for the Civil Service and Treasury) Order 1987

Made - - - -	*26th November 1987*
Laid before Parliament	*4th December 1987*
Coming into force	*25th December 1987*

At the Court at Buckingham Palace, the 26th day of November 1987

Present,

The Queen's Most Excellent Majesty in Council

Her Majesty, in pursuance of section 1 of the Ministers of the Crown Act 1975(a), is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:

Citation, interpretation and commencement

1.—(1) This Order may be cited as the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1987.

(2) In this Order–

"instrument" (without prejudice to the generality of that expression) includes in particular Royal Warrants, Orders in Council, Orders by Her Majesty, orders, rules, regulations, minutes, agreements and other documents;

"the Minister" means the Minister for the Civil Service.

(3) This Order shall come into force on 25th December 1987.

Transfer of functions from Minister to Treasury

2.—(1) There are hereby transferred to the Treasury the functions of the Minister with respect to–

(a) recruitment policy for the civil service of the State;

(b) retirement and redundancy of persons employed in the service and the reinstatement and re-employment of persons in the service;

(c) the classification of persons employed in the service;

(d) holidays, part-time working and other working arrangements in the service;

(e) re-deployment of staff between departments; and

(f) the location of government offices.

(2) Paragraph (1)(a) above shall not be construed as transferring to the Treasury the functions of the Minister under Articles 1 to 3 of the Civil Service Order in Council 1982 (certificates of qualification) or his functions under Article 4(a)(i) of that Order relating to the selection and manner of appointment of persons to the situations there mentioned

(a) 1975 c.26.

and their qualifications in respect of matters other than age, education and professional attainment.

(3) Paragraph (1)(e) above shall not be construed as relating to the making of senior appointments.

Transfer of functions from Treasury to Minister

3. There are hereby transferred to the Minister the functions of the Treasury under section 2 of the Chequers Estate Act 1958(a) (Exchequer grants to administrative trustees).

Supplementary provisions

4.—(1) In Schedule 2 to the Parliamentary Commissioner Act 1967(b) as substituted by section 1(2) of the Parliamentary and Health Service Commissioners Act 1987(c) (departments and authorities subject to investigation)–

(a) the entry "the Management and Personnel Office" shall be omitted;

(b) there shall be inserted in the appropriate place the entry "Office of the Minister for the Civil Service"; and

(c) in Note 6 (scope of the references to the Management and Personnel Office and the Treasury) for "Management and Personnel Office", wherever occurring, there shall be substituted "Office of the Minister for the Civil Service".

(2) In section 22(4) of the Attachment of Earnings Act 1971(d) as amended by Article 3(2) of the Transfer of Functions (Minister for the Civil Service and Treasury) Order 1981(e) (documentary evidence of Minister's determination of certain questions) for "Management and Personnel Office" there shall be substituted "Office of the said Minister".

(3) In section 2 of the Chequers Estate Act 1958(f) for "Treasury", where it first occurs, there shall be substituted "Minister for the Civil Service" and where it subsequently occurs there shall be substituted "the Minister".

(4) Subject to any express repeal or amendment made by this Order, any enactment or instrument passed or made before the commencement of this Order shall have effect so far as necessary for the purpose or in consequence of the transfers effected by Article 2 of this Order, as if any reference to the Minister or the Management and Personnel Office or an officer of the Minister (including any reference which is to be construed as such a reference) were a reference to the Treasury or an officer of the Treasury, as the case may be.

(5) There are hereby transferred to the Treasury all rights and liabilities to which immediately before the commencement of this Order the Minister was entitled or subject in connection with any functions transferred by Article 2 of this Order.

5.—(1) This Order shall not affect the validity of anything done by or in relation to the Minister or the Treasury before its commencement; and anything which at the commencement of this Order is in process of being done by or in relation to the Minister or the Treasury may, if it relates to any of the functions transferred by this Order from one of them to the other, be continued by or in relation to the other.

(2) Any approval, consent, direction or appointment given or made or other thing whatever done by the Minister or the Treasury for the purposes of any of the functions transferred by this Order from one of them to the other shall, if in force at the commencement of this Order, continue in force and have effect as if similarly given, made or done by the other.

Clerk of the Privy Council

(a) 1958 c.60.
(b) 1967 c.13.
(c) 1987 c.39.
(d) 1971 c.32.
(e) S.I. 1981/1670.
~~(f) 1958 c.60.~~

EXPLANATORY NOTE

(This note is not part of the Order)

This Order in Council transfers to the Treasury some of the functions of the Minister for the Civil Service. It also transfers to the Minister the functions of the Treasury relating to Exchequer grants under the Chequers Estate Act 1958.

Article 2(1) transfers to the Treasury the functions of the Minister with respect to–

(a) recruitment policy for the civil service of the State (Article 2(1)(a));

(b) retirement and redundancy of persons employed in the service and the reinstatement and re-employment of persons in the service (Article 2(1)(b));

(c) the classification of persons employed in the service (Article 2(1)(c));

(d) holidays, part-time working and other working arrangements in the service (Article 2(1)(d));

(e) re-deployment of staff between departments (Article 2(1)(e)); and

(f) the location of government offices (Article 2(1)(f)).

The functions transferred to the Treasury include certain functions under the Civil Service Order in Council 1982. Those specified in Article 2(2) however remain with the Minister as do those in Article 2(3) concerning the making of senior appointments.

Article 3 transfers to the Minister the functions of the Treasury under section 2 of the Chequers Estate Act 1958 (relating to Exchequer grants to the administrative trustees).

The functions not transferred to the Treasury will continue to be exercised by the Minister for the Civil Service but, as a consequence of the changes brought about by this Order, the name of her Department is being changed from the Management and Personnel Office to the Office of the Minister for the Civil Service. Article 4(1) and (2) substitutes the new name in the Parliamentary Commissioner Act 1967 and the Attachment of Earnings Act 1971.

Article 4(3) amends section 2 of the Chequers Estate Act 1958 so as to reflect the transfer of functions effected by the Order.

Other consequential or supplementary provisions are contained in Article 4(4) and (5) and Article 5.

STATUTORY INSTRUMENTS

1987 No.

MINISTERS OF THE CROWN

The Transfer of Functions (Minister for the Civil Service and Treasury) Order 1987

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MANAGEMENT IN CONFIDENCE

VC3ARN

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

I have shown our Press Office the draft Press Notice attached to your letter of yesterday to Peter Middleton. They have suggested some minor changes to the first paragraph of the text and the inclusion of some Notes for Editors.

I now attach the version which takes account of their suggested changes, which I should be grateful if you could take into account in preparing the final version which you will be submitting to me later today.

I am sending copies of this minute and enclosure to Sir Peter Middleton, Miss Mueller, Mr. Butler and Mr. Perks in the Press Office at No. 10.

N.L. WICKS

7 August 1987

CONFIDENTIAL AND PERSONAL

file DASALP

SUBJECT

cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

ORGANISATION AT THE CENTRE

The Prime Minister held a meeting this morning to discuss your minute of 5 August, setting out detailed proposals for dividing the present functions of the Management and Personnel Office between the Treasury and the Cabinet Office. The Chancellor of the Exchequer, Sir Peter Middleton and Mr F E R Butler were present.

The following points were made in discussion:

1. There was no dissent from your proposals for the division of the functions of the MPO between the Treasury and the Cabinet Office. There was a srong case for an early announcement to prevent uncertainty.

2. It was suggested that the Management Advisory Board would help act as a counterweight to the Treasury, whose position would be seen to be strengthened as a result of the abolition of the MPO. The Prime Minister said that she could see no necessity for a further advisory committee of the sort envisaged by the establishment of the Management Board. It was always open to Permanent Secretaries to meet informally to discuss the sort of topics which were envisaged to be within the remit of the Board.

3. In discussion of Ministerial responsibility for Civil Service matters, attention was drawn to the view of the Minister of State, Privy Council Office, that there was sometimes confusion about which Minister answered Civil Service questions in the House of Commons. It was, however, suggested that there was advantage in there being a non-Cabinet Minister outside the Treasury reporting to the Prime Minister who could answer such questions. Any problems about responsibility for Parliamentary Questions might be met if the Table Office was given a clear definition of the responsibilities which fell to the Cabinet Office and to the Treasury.

4. The role of the Project Manager would need further consideration at the meeting planned for October to discuss Sir Robin Ibbs report on "The Next Steps".

DTS

CONFIDENTIAL AND PERSONAL

Summing up the discussion, the Prime Minister asked you to revise the draft Press Notice attached to your minute in the light of the points made in the discussion, with a view to an early announcement. It should not include any reference to a Management Advisory Board, a concept to which she was not attracted. The Minister of State, Privy Council Office, should continue to supervise the day to day work of that part of the Cabinet Office absorbed from the MPO and to answer relevant Parliamentary Questions.

I am sending a copy of this minute to the Private Secretaries to the Chancellor of the Exchequer and the Minister of State, Privy Council Office and to Sir Peter Middleton and Mr Butler.

N.L.W.

N. L. WICKS

6 August 1987

PRIME MINISTER MAKES CHANGES TO MANAGEMENT

OF CIVIL SERVICE

The Prime Minister, the Rt Hon Margaret Thatcher, has decided to make changes to the management of the Civil Service following a review of the distribution of functions between the Cabinet Office (Management and Personnel Office) and the Treasury.

Those functions of the present Management and Personnel Office (MPO) which bear directly on financial management and on manpower, pay and financial conditions of service, will be transferred to the Treasury.

Under the Head of the Home Civil Service the Cabinet Office will be responsible for advising the Prime Minister as Minister for the Civil service on duties and standards in the Civil Service and on the selection and development of civil servants.

For this purpose the MPO will be reconstituted as the Office of the Minister for the Civil Service, which will continue as a Sub-Department of the Cabinet Office.

The Minister of State, Privy Council Office, Mr Richard Luce, will be in day-to-day charge of the new Office, as he has been of the MPO. He will also continue to answer Parliamentary Questions relating to matters dealt with by the new Office.

A Transfer of Functions Order will be laid before Parliament in due course.

NOTES TO EDITORS

1. The Management and Personnel Office was set up in Novembewr 1981, when the Civil Service Department was abolished.

2. It is hoped that the transfer of functions will take place in the autumn.

3. The future responsibilities of the Cabinet office and the Treasury are set out below.

Cabinet Office

Senior and Public Appointments

Ceremonial

Security

Business appointments after retirement

Machinery of Government

Code and Guide

Conduct and Discipline (including Civil Service Appeals Board)

Promotion policy

Probation policy

Staff appraisal and reporting

Career development (including secondments to industry)

Communications with staff and motivation

Welfare

Equal Opportunities

Training policy

Management development

Top Management Programme

Civil Service College

Civil Service Commission

Civil Service Selection Board

Occupational Health Service

Treasury

Flexible working patterns

Public and privilege holidays

Retirement and redundancy

Re-instatement and re-employment

Performance related pay

Recruitment policy

Retention policy

Structure and grading policy

Transfers and trawling of staff

Dispersal and location policy

Guidance on good management practice

Information Management

Employment of consultants

Management consultancy services for departments

Accountancy Support Unit

Central Unit on Purchasing

SENIOR STAFF IN CONFIDENCE AND PERSONAL

MFS
SUBJECT
cc MASTER
file

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

ORGANISATION AT THE CENTRE

The Prime Minister discussed with you this evening the proposal in your minute of 5 August that Miss Mueller should, on the redistribution of the functions of the Management and Personnel Office, move to the Treasury as an additional Second Permanent Secretary to take charge of Civil Service pay and industrial relations and of the personnel management functions now to be transferred to that Department. You explained to the Prime Minister that this should not result in an increase in the Treasury's senior staff complement since Mr Kemp would not be replaced in his grade 2 post in charge of Civil Service pay. Sir Peter Middleton was happy to take Miss Mueller as an additional Second Permanent Secretary.

The Prime Minister said that she agreed with these arrangements.

N.L. Wicks

6 August 1987

SENIOR STAFF IN CONFIDENCE AND PERSONAL

Mr Wicks

1

Prime Minister

The plan is to issue the Press Notice attached tomorrow, Friday, from No 10.

Agree?

N.L.W.
C.S.

I assume that we let Peter Brooke and Richard Luce have been informed but

CABINET OFFICE

70 Whitehall London SW1A 2AS
01-270 0101

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A087/2413

6 August 1987

My dear Peter,

Following the Prime Minister's meeting this morning I have recast the draft Press Notice which was attached to my minute of 5 August. I attach a copy of the revised draft herewith. There are in effect only two changes:

1. The omission of the second paragraph.

2. The recasting of the sentence about the name of the new office: we are advised by Parliamentary Counsel that it is important to present this as a transformation or reconstitution, rather than as the abolition of one office and the creation of another, in order to ensure that the necessary transfer of functions order will be subject to negative and not affirmative resolution.

I also attach a draft list of supplementary questions and answers.

I should very much welcome the quickest possible comments on the two drafts. The aim remains to issue the Press Notice during the course of tomorrow. As soon as the Press Notice has been agreed for issue I propose (if you agree) to send a copy for information to the Secretary General of the Council of Civil Service Unions, so as to reach him before the Press Notice is issued.

I am sending copies of this letter to Anne Mueller, Robin Butler and Nigel Wicks.

Yours ever

Robert

Sir Peter Middleton KCB

8

Draft of 6 August 1987

DRAFT PRESS NOTICE

The Prime Minister has reviewed the distribution of functions between the Cabinet Office (Management and Personnel Office) and the Treasury. Those functions of the present Management and Personnel Office which bear directly on financial management and on manpower, pay and financial conditions of service, will be transferred to the Treasury. Under the Head of the Home Civil Service the Cabinet Office will be responsible for advising the Prime Minister as Minister for the Civil Service on duties and standards in the Civil Service and on the selection and development of civil servants. For this purpose the Management and Personnel Office will be reconstituted as the Office of the Minister for the Civil Service, which will continue as a Sub-Department of the Cabinet Office. The Minister of State, Privy Council Office, will be in day-to-day charge of the new Office, as he has been of the Management and Personnel Office, and will continue to answer Parliamentary Questions relating to matters dealt with by the new Office. A Transfer of Functions Order will be laid before Parliament in due course.

NEXAAR

Organisation at the Centre: Supplementary Questions and Answers

Q1. Why make the change?

A1. To reflect the increasingly close association between pay, structure and manpower issues in the Civil Service and between the various consultancy, inspection and review services in the two Departments.

Q2. What are the present functions of the Management and Personnel Office?

Q3. What will be transferred to the Treasury?

--- A2+3. Attached is a detailed list of the functions at present discharged by the Management and Personnel Office, showing which are to be transferred to the Treasury and which will be retained by the new Office of the Minister for the Civil Service. The present functions of the Management and Personnel Office were described more fully in the Management and Personnel Office Report "The Challenge of Change in the Civil Service" published in January 1987.

Q4. How many staff are involved in the transfer?

A4. About 70 posts will be transferred to the Treasury.

Q5. What staff/financial savings will there be?

A5. It is hoped that it will be possible to save some posts on both sides, but that remains to be worked out in the detailed arrangements for the transfer.

Q6. Is not splitting responsibility for the Civil Service between the two Departments going to create confusion, as neither will have overall responsibility?

NEXAAV

A6. The dividing line between the two Departments will be if anything clearer now than it was before and there will be less overlap. Each has responsibility in respect of its own functions.

Q7. What expertise does the Treasury have to take on the new responsibilities?

A7. The staff concerned with these responsibilities will be transferred with the functions to the Treasury.

Q8. Who will now be Minister for the Civil Service?

A8. The Prime Minister will continue to be Minister for the Civil Service. The Minister of State, Privy Council Office, (Mr Richard Luce) will be in day-to-day charge of the work of the new office, as he has been in charge of that of the Management and Personnel Office.

Q9. Who will answer Questions in the House?

A9. Treasury Ministers will answer Questions on functions for which the Treasury is reponsible, and the Prime Minister or the Minister of State, Privy Council Office will answer Questions on matters which are dealt with by the Office of the Minister for the Civil Service.

Q10. Will not this reduce the powers of the Head of the Home Civil Service and cause friction between him and the Head of the Treasury?

A10. The Head of the Home Civil Service will continue to discharge all the functions traditionally associated with that position. The Head of the Home Civil Service and the Permanent

Secretary to the Treasury have worked together harmoniously hitherto, and there is no reason why they should not continue to do so in future.

Q11. When did the Treasury last have such responsibility for the Civil Service?

A11. Until the Civil Service Department was set up in 1968 the Treasury was responsible for all establishment, personnel and management functions in relation to the Civil Service.

Q12. Has there been, or will there be, any discussion with the Civil Service unions?

A12. It is not customary to consult the Civil Service unions on machinery of Government changes. The unions have however been informed of these proposals.

Q13. Won't this give the Treasury an even tighter hold on the purse strings for the Civil Service?

A13. The change will concentrate in the Treasury those functions which bear directly on financial management and on manpower, pay and financial conditions of service. The Minister for the Civil Service and the new office will be responsible for those funtions which relate to the standards, selection and development of Civil Servants. As the Prime Minister said when she announced the abolition of the Civil Service Department in November 1981:

> "It remains my view that there should not be a total merger of the Treasury and the Civil Service Department. The efficiency of the Civil Service in carrying out its functions and the selection and development of civil servants are as important to the Government as the control of public expenditure. The machinery of government should

NEXAAV

make special provision for this, since it is a subject in which any Prime Minister is bound to take a close personal interest".

Q14. Why has not the Management and Personnel Office in its present structure worked?

A14. It has worked well, though there have been some problems of co-ordination where the functions of the Treasury and the Management and Personnel Office interfaced most closely. This redistribution will reduce the potential interface problems.

Q15. When was the Management and Personnel Office set up and why?

A15. The Management and Personnel Office was set up in November 1981, when the Civil Service Department was abolised.
[For the rationale quote the Prime Minister's statement of the time.]

Q16. Why not just remove all the responsibilities to the Treasury?

A16. For the reasons given by the Prime Minister in November 1981: see A13. above.

Q17. Why the new name?

A17. The new name accurately reflects the role and functions of the reconstituted office.

Q18. What will happen to the Joint Management Unit?

A18. That remains to be decided in the detailed working out of the redistribution of functions.

NEXAAV

Q19. Are the Prime Minister's Efficiency Adviser and the Efficiency Unit affected?

A19. No. Sir Robin Ibbs will continue to report directly to the Prime Minister, and will continue to be supported by the Efficiency Unit.

Q20. Will Miss Mueller remain in the Cabinet office in day-to-day charge of the Office of the Minister for the Civil Service?

A20. Dispositions of senior staff will be determined as soon as possible.

Q21. When will the changes take effect?

A21. In the early autumn.

NEXAAV

Ref. A087/2376

MR WICKS

Organisation at the Centre

It will not have escaped your notice that one consequence of the proposals for redistributing the functions of the Management and Personnel Office, contained in a separate submission, is that we should be able to save the second Permanent Secretary post in charge of the Management and Personnel Office, now occupied by Miss Anne Mueller.

2. Miss Mueller has done a very good job as Second Permanent Secretary in charge of the Management and Personnel Office, not only in terms of the work itself, but also in terms of sustaining the morale and effectiveness of the staff. She has contributed with admirably impersonal objectivity to the discussions of the proposals for redistributing the functions of the MPO whilst being very aware of the consequences for her post.

3. I have been considering what she should do, if the proposals are approved. I am glad to say that Sir Peter Middleton has said that he would be happy to take Miss Mueller on as an additional Second Permanent Secretary in the Treasury, to take charge of Civil Service pay and industrial relations (already dealt with by the Treasury) and of the personnel management functions now to be transferred to the Treasury. As you will know from my separate submission about the succession to Mr Butler, Mr Kemp is almost certain to be moved from the Grade 2 post in charge of Civil Service pay: the proposal here is that he should not be replaced in that post, and that Miss Mueller should, while retaining her Second Permanent Secretary status, discharge both Mr Kemp's present duties and those of her

own duties which will go to the Treasury under the proposed redistribution. Sir Peter Middleton has assured me that Miss Mueller would be welcomed as a full member of the senior management team in the Treasury. The situation would of course be reviewed when Miss Mueller retires, which she is due to do in 1990; it would then be for question whether to replace her with a Second Permanent Secretary or to revert to the existing grading structure.

4. So far as Miss Mueller is concerned, I think that the proposal that she should be moved to the Treasury is the best possible outcome. It would ensure that the redistribution of functions would not seem to be a vote of no confidence in her, which would indeed be very unfair.

RA

ROBERT ARMSTRONG

5 August 1987

NEXAAU

05. VII 13 PM 87

Ref. A087/2364

MR WICKS

Organisation at the Centre

I hope to have a submission on the distribution of functions between the Treasury and the Cabinet Office with you by close of play this evening.

2. I have described the arrangements which will be proposed in it to Mr Luce, and he is reasonably content with them, subject to one point. The submission is likely to envisage that, on matters for which the Cabinet Office retains responsibility, Mr Luce should continue as the Minister in day-to-day charge (under the Prime Minister as Minister for the Civil Service) and should answer Parliamentary Questions. Mr Luce has, I know, felt that the line between himself and the Paymaster General has not always seemed to be very clear to Members of Parliament, and he has found himself dealing with Questions which were properly for Mr Brooke and vice versa. He wonders whether, if functions are being transferred from the Cabinet Office to the Treasury on the lines proposed, it would be better if the Paymaster General answered all Parliamentary Questions about the Civil Service, including those for which the Prime Minister retains Ministerial responsibility as well as those for which the Treasury will in future be responsible.

3. My own preference would still be to recommend that Mr Luce should be invited to continue both to supervise the day-to-day work of the office concerned and to answer Questions. It would be a little inconsistent with the general principle proposed to have all the Questions answered by the Treasury; I think that under the new distribution the line between the Treasury and the Cabinet Office will if anything be clearer; and I would expect

there to be still a good many Questions for Mr Luce to answer on matters of standards, staff selection and development (including secondments to industry), of a kind with which the Prime Minister would not wish to be troubled herself.

4. We are all agreed that, when the redistribution of functions is announced, that should be accompanied with an announcement about the proposed Management Advisory Board; and I would expect my submission to include a draft announcement. If it is to be made in the near future, it will be in very general terms, since some details remain to be resolved; but speculation and uncertainty in the Treasury and the Cabinet Office have reached the point when I think we all feel that an early announcement should be made, if possible.

RA

ROBERT ARMSTRONG

5 August 1987

NEXAAQ

05 VIII PM 87

Ref. A087/2373

PRIME MINISTER

Organisation at the Centre

At your meeting on 28 July I undertook to discuss with Sir Peter Middleton and Mr Butler detailed proposals for dividing the present functions of the Management and Personnel Office between the Treasury and the Cabinet Office.

2. There are certain functions in direct support of the Head of the Home Civil Service which should remain as such in the Cabinet Office:

Senior Appointments (including Succession Planning)
Public Appointments
Ceremonial (ie honours)
Security
Business Appointments after Retirement
Machinery of Government.

3. For the rest, the rationale of the division of functions we propose is that functions bearing on manpower, pay and financial conditions of service and on financial management should go to the Treasury; and those functions bearing on the duties and standards and on the selection and development of civil servants should remain with the Head of the Home Civil Service and the Cabinet Office. This rationale would be the basis of any public announcement and communications to staff.

4. Thus the Treasury would take responsibility for functions of the MPO relating to:

NEXAAT

Flexible working patterns
Public and Privilege holidays
Retirement and redundancy
Reinstatement and re-employment
Performance-related pay
Recruitment policy
Retention policy
Structure and grading policy
Transfers of staff
Dispersal and location policy.

5. The Treasury would also take responsibility for certain management consultancy services which MPO provides to Departments, for the Accountancy Support Unit, and for the Central Unit on Purchasing (which reports at present both to the Treasury and to the MPO).

6. The Cabinet Office would have responsibility for functions of the MPO relating to:

Conduct and discipline (including Civil Service Appeals Board)
Civil Service Code and Guide*
Promotion policy
Probation policy
Staff appraisal and reporting
Career development, including secondments to industry
Communications with staff and motivation
Welfare
Equal Opportunities.

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* The Treasury would, as now, be responsible for those sections of the Code and Guide relating to matters for which they were responsible; the Cabinet Office would be responsible for other sections and for general editorial matters.

7. There are three MPO agencies whose functions relate to standards and staff selection and development:

Civil Service Commission (including the Civil Service Selection Board)

Civil Service College (and other training responsibilities at the centre, including the Top Management Programme)

Occupational Health Service

It is proposed that all three should continue as agencies of the Cabinet Office. The First Civil Service Commissioner (Grade 2) would support the Head of the Home Civil Service in his responsibilities for standards and staff selection; and the Grade 2 in charge of the College and training would support him on staff development. The Occupational Health Service, which is due to be finally established by the end of the year following a scrutiny, should to all intents and purposes be self-governing.

8. Sir Robin Ibbs has suggested a "project manager" in connection with his proposals for the next steps in improving the efficiency of management. The time to take this proposal forward will be later in the year, when we know what decisions Ministers have taken at their next meeting (probably now in October) about the future of this programme. Sir Robin Ibbs has proposed a full Permanent Secretary. Neither Sir Peter Middleton nor I believe that that grading is called for. Depending on what decisions are taken, the appointment might be at Grade 1A (Second Permanent Secretary) or Grade 2 (Deputy Secretary); and I do not exclude the possibility that it could be combined with the Grade 2 post on staff development referred to in paragraph 7, though Sir Robin Ibbs is likely to consider that whoever is the "project manager" should be engaged full-time on that work.

NEXAAT

9. We should like to see the establishment of the proposed Management Advisory Board as an inherent part of these arrangements. I shall make a separate submission on its composition and terms of reference shortly. The Board's secretariat would be in the Cabinet Office, reporting to the Head of the Home Civil Service; and it would be found from the existing complement of the MPO.

10. The existing Joint Management Unit would be disbanded. Its main functions would be redistributed within the Treasury, and the secretariat to the proposed Management Advisory Board would be responsible for co-ordinating management reforms in the Civil Service.

11. It is proposed that the following bodies, which are organisationally separate, should continue to be carried on Cabinet Office Votes:

- No 10 Downing Street
- Office of the Government Whips
- Office of the Parliamentary Counsel
- Efficiency Unit

The Efficiency Unit would continue to support the Prime Minister's Efficiency Adviser who would himself report directly to the Prime Minister. The Efficiency Unit would also have an important part to play in support of the Management Advisory Board, and, if Ministers decide to implement "The Next Steps", of the project manager. The Prime Minister's Efficiency Adviser would be a member of the Board.

12. It would be necessary to take decisions about Ministerial responsibility. The Chancellor of the Exchequer and the Chief Secretary, supported by the Paymaster General, would be responsible for the functions transferred to the Treasury; the Paymaster General would normally answer Parliamentary Questions

on those matters. We believe that you will wish to be supported by a Minister in day to day charge of the functions which remain with the Cabinet Office. We therefore envisage that the Head of the Home Civil Service should report to the Minister of State, Privy Council Office and through him to the Prime Minister on matters of standards and staff selection and development; and, as now, directly to the Prime Minister on most of the functions listed in paragraph 2. It would be consistent with the general logic that the Minister of State, Privy Council Office, should answer Parliamentary Questions on standards and staff selection and development. The "frontier" between the Paymaster General and the Minister of State for the purpose of Parliamentary Questions has hitherto been a little fuzzy. We believe that under the arrangements now proposed it will be clearer; that there should be some other Minister than yourself available to answer questions on all but the most important issues that arise within your responsibility as Minister for the Civil Service; and that this other Minister should be separate from the Treasury. We therefore recommend that the Minister of State, Privy Council Office should continue to answer questions to the Minister for the Civil Service on these matters.

But see FH Bruce's views in minutes at Flags A & B

13. It would be desirable to change the title "Management and Personnel Office". Subject to legal advice, this would require a Transfer of Functions Order (negative resolution); but that is likely to be required in any case to transfer the responsibilities for structure and recruitment policy from the Minister for the Civil Service to the Treasury. It is desirable to keep an identifiably separate unit for this work, since the remit of the Parliamentary Commissioner for Administration (PCA) extends to the MPO at present but explicitly not to other parts of the Cabinet Office, and we should want to keep it that way so as to be sure that the PCA had no locus in relation to the collective decision-making machinery of government which is served by the Secretary of the Cabinet and the Cabinet Office

secretariats. We propose that the Management and Personnel Office be retitled the Office of the Minister for the Civil Service (OMCS).

14. Under these proposals 70 staff now employed in the MPO would be transferred to the Treasury from the groups dealing with personnel management and management and efficiency, leaving 50 staff to deal with the functions of those groups which would remain with the Cabinet Office. We hope that it will be possible to save some of the posts both in the Treasury and the Cabinet Office, when we come to work out the transfer in detail.

15. If you approve these proposals, it would be very desirable to make an early announcement, so as to remove the uncertainty which has been created among MPO staff by the knowledge that the organisation at the centre has been under review. We hope that an announcement could be made this week. We consider that it would be highly desirable to combine with the announcement an announcement of the decision to set up a Management Advisory Board. A draft Press Notice accordingly is attached. Such an announcement would pave the way for the detailed planning required to give effect to the proposals. Putting them formally into effect will have to await a meeting of the Privy Council and the return of Parliament, in view of the need for a Transfer of Functions Order; but the changes could be put into effect administratively at an earlier date.

16. I am sending copies of this minute to the Chancellor of the Exchequer and the Minister of State, Privy Council Office.

RA

ROBERT ARMSTRONG

5 August 1987

NEXAAT

Draft of 5 August 1987

DRAFT PRESS NOTICE

The Prime Minister has reviewed the distribution of functions between the Cabinet Office (Management and Personnel Office) and the Treasury. Those functions of the present Management and Personnel Office which bear directly on financial management and on manpower, pay and financial conditions of service, will be transferred to the Treasury. Under the Head of the Home Civil Service the Cabinet Office will be responsible for advising the Prime Minister as Minister for the Civil Service on duties and standards in the Civil Service and on the selection and development of civil servants. For this purpose an Office of the Minister for the Civil Service will be set up as a Sub-Department of the Cabinet Office, and will replace the Management and Personnel Office. The Minister of State, Privy Council Office, will be in day-to-day charge of the new Office, as he has been of the Management and Personnel Office, and will continue to answer Parliamentary Questions relating to matters dealt with by the new Office. A Transfer of Functions Order will be laid before Parliament in due course.

NEXAAR

A Management Advisory Board is to be established to advise on management issues affecting the Civil Service. The Head of the Home Civil Service will be the Chairman and the Permanent Secretary to the Treasury will be the Deputy Chairman of the Board. Other members will be three people from outside the Civil Service including the Prime Minister's Advisor on Efficiency and three Permanent Secretaries of other Civil Service Departments. The names of the members will be announced in due course.

NEXAAR



FILE
JA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 July 1987

Dear Trevor

NEXT STEPS

BF

This is to confirm that a meeting on "next steps" has been arranged for Thursday 22 October. The meeting will take place either immediately before or immediately after Cabinet, but the precise time will be fixed nearer the date. The Secretary of State for Trade and Industry will not be able to be present and the Chancellor of the Duchy will be attending in his place.

I am copying this letter to Mike Eland (Lord President's Office), Alex Allan (HM Treasury), Philip Mawer (Home Office), John Howe (Ministry of Defence), John Turner (Department of Employment), Robin Young (Department of the Environment), Tim Walker (Department of Trade and Industry), Peter Smith (Chancellor of the Duchy of Lancaster's Office), Shirley Stagg (Ministry of Agriculture, Fisheries and Food), Roy Griffins (Department of Transport), Geoffrey Podger (Department of Health and Social Security), Steven Wood (Lord Privy Seal's Office), Jill Rutter (HM Treasury), Michael Stark (Office of Arts and Libraries), and to Sir Robin Ibbs.

Yours

Mark Addison

(MARK ADDISON)

Trevor Woolley, Esq.,
Cabinet Office.

PERSONAL AND CONFIDENTIAL

file VC2 APR

SUBJECT

CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

28 July 1987

Dear Tim,

Your Secretary of State this afternoon discussed with the Prime Minister the attachment to your letter to me of 27 July which set out in outline his proposals for the rationale and organisation of the Department of Trade and Industry.

Lord Young spoke along the lines of the attachment, emphasising his intention to move assistance to companies on to a more selective and advisory basis, developing further the regional network of the DTI for this purpose. The assistance would be directed more towards smaller firms of £1-10 million a year turnover. The idea would be to emphasise "commerce" rather than the separate ideas of "trade" and "industry". He would be sending the Prime Minister a more detailed account of his ideas.

The Prime Minister welcomed your Secretary of State's new thinking in this area. However, she was not yet convinced of the need for the development of more local offices. It should, for example, be possible to rely to some extent on Local Enterprise Agencies. She would prefer the use of the word "promote" in place of "sponsor". It was particularly important that assistance given by the DTI should be time limited.

Yours,

David.

DAVID NORGORVE

Tim Walker, Esq.,
Department of Education and Science.

PERSONAL AND CONFIDENTIAL

JDB BBC

SUBJECT

CCMASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

ORGANISATION AT THE CENTRE

The Prime Minister held a meeting today with Sir Peter Middleton, Sir Robin Ibbs, Sir Kenneth Stowe, Mr. F.E.R. Butler and yourself to discuss your minute of 25 June on Organisation at the Centre.

2. Opening the discussion, the Prime Minister said that she was fearful of establishing new organisations, like the proposed advisory board for the management of the public service, and making machinery of government changes without good evidence that improved efficiency and better value for money would result.

3. Discussion then turned to the specific proposals in your minute.

The division of responsibilities between the Treasury and the Cabinet Office/MPO

4. In discussion, it was pointed out that the suggestion for a redistribution of duties between the Cabinet Office and the Treasury represented a move further away from the old Civil Service Department organisation. The aim would be to group officials responsible for management and efficiency in the Treasury and those responsible for appointments, security, training, recruitment etc., matters in the Cabinet Office.

5. Summing up this part of the discussion, the Prime Minister agreed that you should put detailed proposals to her for dividing the MPO's present functions between the Treasury and the Cabinet Office. Your report should make clear the number of staff involved and the justification for the transfers suggested. She attached importance to keeping the functions transferred to the Cabinet Office to the minimum possible.

The advisory board for the management of the public service

6. In discussion, the following points were made about the proposed advisory board:

(i) Its function would be more valuable once the redistribution of responsibility between the Treasury and the Cabinet Office envisaged above had

taken place.

(ii) The main function of the board would be to provide a stimulus for change at the centre of government. It would provide a source for challenging and questioning, in a sustained and consistent manner, management practices throughout the civil service.

(iii) It was emphasised that the board should indeed be advisory. It should not be involved in, for example, negotiations about pay or public expenditure levels.

(iv) There was some doubt expressed whether the civil service had a sufficient reservoir of top management talent to secure the effective working of the advisory board. It was argued that, to the extent that this was true, the contribution of the three outsiders on the advisory board would be even more valuable since their presence would help give confidence to the advice put forward by the board.

7. Summing up this part of the discussion, the Prime Minister said that while she was not ready to take a final decision to establish the proposed advisory board, she wished you to develop the concept and put forward detailed proposals, including terms of reference, which took account of the new distribution of responsibilities at the centre. You should suggest names for both civil service and outside members, though approaches should not be made to anyone at this stage.

The project manager

8. In discussion of the project manager, it was suggested that his role would depend upon Ministers' decisions on Sir Robin Ibbs' report "The Next Steps". His role in relation to the advisory board needed further consideration, especially to determine whether he would have any executive role in following up the board's recommendations.

9. Summing up this part of the discussion, the Prime Minister said that the role of the project manager needed further consideration in the light of decisions on "The Next Steps" and on the role of the advisory board.

10. Summing up the discussion as a whole, the Prime Minister asked that you should follow up the points to which she had referred in her summings up, and produce a paper which she would wish to discuss with the Chancellor of the Exchequer and the Minister of State, Privy Council Office, as well as with those present. You may wish to suggest whether any other Minister should be involved in these discussions.

11. Copies of this minute go to Sir Peter Middleton, Sir Robin Ibbs, Sir Kenneth Stowe, and Mr. Butler.

N.L.W.

NLW

28 July, 1987.

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/ *Secretary of State for Trade and Industry*

27 July 1987

David Norgrove Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1A 2AA

Dear David

Your letter of 17 July reported that the Prime Minister would be interested in what my Secretary of State has in mind for the rationale and organisation of this Department.

I attach a very preliminary version of two notes, one setting out the objectives of the Department and the other an outline of a speech setting these objectives in context and looking at their implications for the Department's structure and programmes. These represent his initial thinking only, but my Secretary of State felt it would be helpful to raise these at his meeting with the Prime Minister tomorrow.

Yours

TIMOTHY WALKER
Private Secretary

JG1BGY

ASSISTING BRITISH COMMERCE

Governments do not create wealth; people do, through commerce. Governments can hinder this process.

Commercial activity:

(i) Most Government activities are concerned with using or redistributing the money created by the country's wealth producers. The prime aim of the Department of Trade and industry is to encourage people to create more wealth to meet the demands of a civilized society.

(ii) DTI needs to ~~be the sponsor~~ promoter, both in Government and elsewhere, for **wealth creation** and not just for individual sectors, industries or companies.

2 It should:

(i) promote the best practices in commercial life

(ii) make sure that the needs of wealth creation are taken fully into account throughout Government, both by creating the right climate and by avoiding or removing excessive bureaucracy;

This needs to be taken into account:

(a) Internationally - through GATT and by bilateral negotiations

(b) in the Community - through promoting the internal market

(c) within the UK - through a vigorous competition policy

3 DTI needs a stronger emphasis on **making the market work** by:

(i) increasing the efficiency of the market (by improving the flow of information)

(a) advisory services within UK

(b) advisory services to exporters

(c) industry/education links

JF6ANF

(d) technology transfer

(e) co-operative R&D

(ii) extending the scope of the market

(a) deregulation

(b) privatisation

(c) international trade

(d) creating a real market in Europe

(iii) increasing confidence in the market

(a) City regulation

(b) Consumer protection

(iv) promoting competition in the market

(a) competition initiative

(b) mergers policy, prevention of cartels, monopolies

All this is designed to produce a climate which promotes enterprise and stimulates wealth creation. This is the way to help those who need it most, in the regions and in the Inner Cities, to create the wealth to help themselves.

4 This strategy has a number of implications.

A : Programmes

(i) activity:

Change emphasis from

(a) project support to advisory services promoting best practices and the use of new technologies

(b) general schemes to selective schemes

(ii) type:

(a) fewer schemes,

(b) time limited

(c) marketed heavily

JF6ANF

BG
b-up.

(iii) support:

(a) supply side activities,

(b) management education.

(c) schools/industry links

(iv) recipient:

Greater emphasis on

(a) small/medium companies

(b) new high tech or R&D start-ups

B : Sectoral

(i) fewer sectorally specific schemes; more horizontal schemes affecting all commerce

(ii) emphasis on wealth creation rather than benefits for specific sectors

C : Delivery

(i) more reliance on the use of local offices

(ii) more reliance on the use of private sector agencies

D : Organization

(i) all activities of the Department identified by a single logo - and marketed coherently

(ii) the Department should be a service and wherever possible use private sector agencies

(iii) some shift of people from centre to local delivery offices

(iv) more activities arranged on "horizontal" basis

(v) emphasize Department's lead role in internal market and management education

(vi) implement "Agency" role as suggested by Ibbs.

JF6ANF

July 1987

THE OBJECTIVES OF THE DEPARTMENT OF TRADE AND INDUSTRY

Governments do not create wealth; people do, through commerce.

1. The prime aim of the Department of Trade and Industry is to encourage to create more wealth to meet the demands of society.

2. DTI needs to be the sponsor, both in Government and outside for wealth creation itself - and not just for individual sectors, industries or companies.

   It should

   (i) promote the best practices in commercial life

   (ii) make sure that the needs of wealth creation are taken fully into account throughout Government, both by creating the right climate and by avoiding or removing excessive bureaucracy.

   This needs to be taken into account:

   (i) Internationally - through GATT and by bilateral negotiations

   (ii) in the Community - through promoting a real internal market

   (iii) within the UK - through a vigorous competition policy

3. DTI helps to make the market work by

   (i) increasing the efficiency of the market (by improving the flow of information)

      (a) advisory services within UK

      (b) advisory services to exporters

      (c) industry/education links

      (d) technology transfer

      (e) co-operative R&D

   (ii) extending the scope of the market

      (a) deregulation

JF6ANU

(b) privatisation

(c) international trade

(d) creating a real market in Europe

(iii) increasing confidence in the market

(1) City regulation

(2) Consumer protection

(iv) promoting competition in the market

(a) competition initiative

(b) mergers, prevention of cartels, monopolies

4. All this is designed to produce a climate which promotes enterprise and stimulates wealth creation. This is the way to help those who need it most, in the regions and in the Inner Cities, to create the wealth to help themselves.

July 1987

JF6ANU

Gov Mach: CSD PT7

CCB/UP

PRIME MINISTER

ORGANISATION AT THE CENTRE OF GOVERNMENT

We are to meet on Tuesday afternoon to discuss the papers prepared by Robert Armstrong and Kenneth Stowe on the Organisation at the Centre.

There are three functions for the centre of government which can be carried out nowhere else:

- a strong and effective control to keep public expenditure in line with the Government's targets

- a hard driving pressure for improvement in management

- an approach to departments which reflects the needs to help them achieve Government policy, not one which adds to their difficulties or obstructs.

The first of these is clearly the responsibility of the Treasury. The second and third inevitably lie with the Head of the Civil Service. Personally, he cannot give them regularly the time they require, and he needs a highly competent and respected deputy who can concentrate on them.

I regard the appointment of a first class Deputy Head of the Civil Service, who would also be the "project manager" recommended in our "Next Steps" report, as the primary change needed at the centre of government. He would need a very small and, again, highly competent, staff. It should then be possible to collapse much of the present MPO; staff for some essential tasks in support of the Head of the Civil Service would come directly under him and his deputy.

However, a central finding of the "Next Steps" scrutiny is the need for greater sustained pressure for improvement. Further moves in this respect to back up the Head of the Civil Service and his deputy are therefore desirable. Without such additional pressure the danger is that management will not triumph over bureaucracy.

.../...

I see merit in setting up a board, including outsiders, with the specific task of bringing pressure to bear on departments for year on year improvement in the style and effectiveness of their management. In my view, unless the Civil Service Management Board has a clear role of this kind - to ensure that there is real pressure for better management - I am against it being brought into existence. It will otherwise degenerate into a talking shop and paper factory, and become yet a further hurdle to be overcome before reforms can be implemented. Indeed, unless a drive to more positive management is adopted as government policy, I believe setting up the Board would be harmful.

In any event, I think you should continue, for the time being, to have an Efficiency Adviser, supported by a small independent unit, who can keep stinging the system, both directly and through the Board, and so add to the pressure for improvement. In due course, if the Board and other changes are successful, the need for this may disappear.

I am copying this minute to Robert Armstrong.

J.R.I.

ROBIN IBBS
24th July 1987.



PRIME MINISTER

ORGANISATION AT THE CENTRE

and Robin Butler

You are meeting Robert Armstrong, Peter Middleton, Ken Stowe and Robin Ibbs on 28 July to discuss Robert Armstrong's minute of 25 June and the report attached by Ken Stowe "The Better Management of Government".

There are two good ideas struggling to get out of Robert Armstrong's long note, namely:

(i) the suggested mechanism for strengthening at the centre of the Civil Service the drive for efficiency; and

(ii) recognition that the split of functions between the Cabinet Office/MPO and the Treasury leads to muddle and indecision.

A mechanism for strengthening the drive for change

Perhaps the most important point which Robin Ibbs made in his presentation on his report "The Next Steps" was the need for steady and sustained pressure on Departments to improve efficiency. Certainly, there are already mechanisms for producing such pressure:

- controls on public expenditure and running costs
- your Efficiency Unit
- your Value for Money Seminars
- Departments' own efficiency procedures
- the battery of Treasury support: management accounting, economics, operational research etc.

This is a formidable array of instruments. But there is no mechanism for ensuring that they pull together and work in a synchronised fashion. To remedy this, Robert Armstrong proposes:

an Advisory Board of Management, chaired by the Head of the Home Civil Service, composed of your Efficiency

Adviser, some senior Permanent Secretaries and two outsiders. The Board's functions are described in paragraph 10 of Robert Armstrong's minute, and its advantages are described in paragraph 19. The most important function one is that referred to in paragraph 11 of the minute - the provision of the force which Kenneth Stowe and Robin Ibbs believe is needed.

> "... which puts pressure on Departments continually to seek improvement in their management function."

As part of this, the Advisory Board could take on a "stock taking" function and periodically assess each Department's progress in setting its targets for efficiency and meeting them. Peter Middleton is, according to Robert Armstrong's note, doubtful whether such a function would be useful or practical. He believes that that is essentially a function of year by year Treasury control and oversight of Departmental expenditure. I disagree. The Treasury do apply very useful pressures for efficiency. But the Advisory Board would focus those and other pressures and help ensure effective follow-up. The experience with the Department of Education's Value for Money Seminars demonstrates that. Their DES presentation was the poorest of those that I have attended, notably becauseof the paucity of quantified performance targets. Robin Ibbs is trying to jolly the Department along, but progress is slow. You cannot maintain a continual close interest. But if there was an Advisory Board, the follow-up to the VFM presentation could be remitted to them to carry forward.

So I hope that you can support the concept of an Advisory Board on the broad lines suggested by Robert Armstrong.

Cabinet Office/MPO and Treasury Split

There seems to be universal agreement that the present division of responsibility for central management of the Civil Service between the Treasury and Cabinet Office/MPO is unsatisfactory, viz:

"The resulting split [between the Treasury and Cabinet Office/MPO] has not proved to be wholly ideal. Responsibility at the centre for management and efficiency is messily divided three ways ... the inter-action between pay and personnel management is more difficult to manage ..."
(Paragraph 6 of Robert Armstrong's minute)

"There is no support for, nor confidence in, the present structure of the management at the centre at any level"
(paragraph 9(2) of Ken Stowe's report attached to Robert Armstrong's minute)

"Suffice it to record that a very great deal of senior staff effort is currently being devoted to ensuring that the two central Departments keep reasonably in step; that the division of responsibility between the two Departments appears unnecessarily bizarre; and that, in the opinion of many of those involved, the present arrangements may be retarding rather than advancing the attainment of some of the Government's objectives."
(Sir George Moseley's Senior Open Structure Review, quoted in paragraph 16 of Ken Stowe's report)

Robert Armstrong reports (in paragraph 22) that Peter Middleton would prefer to transfer responsibility for personnel management from the Cabinet Office/MPO to the Treasury without further delay, thus effectively abolishing the MPO. Robert Armstrong wants to wait - mainly because he wants to first establish the Advisory Board and take decisions on Robin Ibbs' report "The Next Steps".

Since the present arrangements are by general agreement so unsatisfactory, I see a strong case for early action; in particular:

(i) It seems from Ministers' first discussion on the Ibbs report that changes following from its recommendations will be evolutionary rather than dramatic;

(ii) The establishment of the Advisory Board, and the supporting office of the Head of the Civil Service, will help the presentation of the abolition of the MPO.

So I recommend early action here.

N.L.W.

N. L. Wicks

22 July 1987

JA2ARC

PERSONAL AND CONFIDENTIAL

bcc: CO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 July 1987

When your Secretary of State came to see the Prime Minister on 16 July, he mentioned one or two developments of organisation and machinery in the Department of Trade and Industry which he was intending to bring about.

The Prime Minister would be interested to read in due course a more detailed account of what Lord Young has in mind. There may be general machinery of government questions involved: and there will no doubt be implications for senior appointments.

DAVID NORGROVE

Tim Walker, Esq.,
Department of Trade and Industry

PERSONAL AND CONFIDENTIAL

Ref. A087/2132

MR NORGROVE

Organisation of the
Department of Trade and Industry

Thank you for your minute of 16 July.

2. I think that it might be useful if you were able to write to Lord Young's Private Secretary on the lines of the draft attached.

RA

ROBERT ARMSTRONG

17 July 1987

Please type

DRAFT LETTER FROM DAVID NORGROVE ESQ TO JEREMY GODFREY ESQ, PS/SECRETARY OF STATE FOR TRADE AND INDUSTRY

When your Secretary of State came to see the Prime Minister on 16 July, he mentioned one or two developments of organisation and machinery in the Department of Trade and Industry which he was intending to bring about.

The Prime Minister would be interested to read in due course a more detailed account of what Lord Young has in mind. There may be general machinery of government questions involved; and there will no doubt be implications for senior appointments.

File DA

SUBJECT CC MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

ORGANISATION OF THE DTI

When Lord Young came to see the Prime Minister this morning he mentioned to her his intention to set up a special unit in the DTI to take the lead in Whitehall on development of the internal market. He feels responsibilities at the moment are rather diffuse. The Prime Minister made no substantive comment, though I believe he will himself take that as her approval (if indeed he needs it).

Lord Young also mentioned to the Prime Minister that he was giving serious thought to the role and structure of the DTI. As you know, he believes it to be top heavy. He also intends that the Department should become much more a giver of advice and a promoter of enterprise, than a giver of money.

DNV

(DAVID NORGROVE)

16 July 1987

SRW

PERSONAL

MANAGEMENT IN CONFIDENCE

Prime Minister

I should like to discuss these with you.

Ref. A087/1857

PRIME MINISTER

Yes - I fear we are proposing great changes which will make little difference. N.L.W. 26.6

This folder contains four submissions:

--- 1. A note on organisation at the centre, to which is appended:

--- 2. A note by Sir Kenneth Stowe on the better management of government.

--- 3. A note on the position of the Head of the Home Civil Service.

--- 4. A note on the appointment of my successor.

2. These notes are intended to be read in conjunction with Sir Robin Ibbs's report on the next steps in improving the efficiency of government.

3. The objectives to which my proposals are directed are as follows:

1. To provide a capacity at the centre for driving and co-ordinating the implementation of Sir Robin Ibbs's proposals.

2. To bring about a slimmer and better directed management effort at the centre, with a "change-driving" mechanism which is answerable to you.

3. To improve the distribution of functions between the Treasury and the Cabinet Office, while retaining a capacity at the centre outside the Treasury, responsible

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directly to you, which can provide advice and expertise independent of the Treasury on issues of public service management and efficiency.

3. The proposals which I am submitting can be summarised as follows:

1. The implementation of the proposals in Sir Robin Ibbs's report will (as recommended by him) require the appointment of a "project manager" at the centre; he should be a Grade 1 or 1A (a Permanent or Second Permanent Secretary) reporting to the Head of the Home Civil Service and through him to you.

2. There should be an advisory board for management of the public service, whose functions and composition are suggested in paragraph 10 to 13 of the note on organisation at the centre. The board should be chaired by the Head of the Home Civil Service, and should include the Permanent Secretary, Treasury, two or three departmental Permanent Secretaries, your Efficiency Adviser, and two external members. The board would be advisory: reporting lines (the Permanent Secretary, Treasury to the Chancellor of the Exchequer, the Head of the Home Civil Service to you, and the Efficiency Adviser to you) would remain unchanged.

3. The Secretary of the Cabinet should continue to be Head of the Home Civil Service.

4. There should be a small Office of the Head of the Home Civil Service, part of the Cabinet Office, consisting of:

- the "project manager" for "The Next Steps" and supporting staff;

- a small secretariat for the advisory board;

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- the existing staff who support the Head of the Home Civil Service in his duties on appointments, honours, discipline, security and machinery of government.

5. There should be no immediate change in the distribution of functions between the Treasury and the Cabinet Office (Management and Personnel Office); but, once Sir Robin Ibbs's proposals "The Next Steps" have been implemented and their implications for the responsibilities of the Treasury on pay and grading and for the responsibilities of the Cabinet Office on the Civil Service Commission and the Civil Service College have been worked out and carried through, the Management and Personnel Office should be wound up, its responsibilities for personnel management transferred to the Treasury, and any residual functions carried out within the Office of the Head of the Home Civil Service. The "project manager" could then be asked to assist the Head of the Home Civil Service on other functions besides that of driving and co-ordinating the implementation of the Ibbs proposals, and could become in effect his deputy.

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ROBERT ARMSTRONG

25 June 1987

RTAABS

Ref. A087/1858

PRIME MINISTER

Organisation at the Centre

I have put various submissions to you in recent weeks about possible changes in the machinery of government, but none of these has dealt with the question of organisation at the centre. This submission is intended to fill that gap.

2. The appointment of a new administration provides a natural opportunity to review the organisation at the centre of Government, and in particular the way in which to distribute the various functions concerned with the management of the public service. These are, basically, the responsibilities for public service pay and manpower which now rest with the Treasury and the responsibilities for personnel management, recruitment, training, management efficiency and the occupational health service which now rest with the Cabinet Office (Management and Personnel Office) (MPO).

3. The present arrangements date essentially from November 1981, when the Civil Service Department (CSD) was wound up. Some external commentators, and notably the Treasury and Civil Service Committee, have proposed that a Department for the Civil Service should be recreated, with broadly the same range of responsibilities as those which the old CSD had.

4. I do not believe that you should re-create a Civil Service Department. It may have made sense to carve the CSD out of the Treasury in 1968, so as to concentrate attention on the management issues highlighted by the Fulton Committee; but the main process of implementing the Fulton recommendations (insofar as they were implemented) was complete in three years or so, and

by 1981 the disadvantages of having a separate department, responsible at the centre of government for management issues but divorced from the main streams of policy formulation, had become evident.

5. When in 1981 we were considering the arrangements that should be put in place if the Civil Service Department was abolished, both Sir Derek Rayner and I were inclined to recommend putting all its functions back into the Treasury. In the end, you decided - with Sir Derek Rayner's and my agreement - not to do that, but to put back into the Treasury only the "resource" functions of the CSD (pay and manpower), partly because the Chancellor of the Exchequer of the day did not want to take on any more, and partly because you wanted to keep a direct personal link with the pursuit of management efficiency, retaining the Efficiency Unit for that purpose, and with the broad policy aspects of personnel management.

6. The resulting split has not proved to be wholly ideal. Responsibility at the centre for management and efficiency is messily divided three ways; between the Treasury, the MPO and the Efficiency Unit. The interaction between pay and personnel management is more difficult to manage, with two departments responsible, than it would be with one. In the central departments, time and energy are consumed in co-ordination across departmental boundaries; and other departments complain that the centre (including the Efficiency Unit as well as the Treasury and the MPO) does not always speak with a clear and undivided voice. There is no doubt that it is the Treasury which, because of its responsibility for control over resources (pay and manpower), is seen as having the teeth. And the MPO, at lower levels, suffers from the same problem as the Civil Service Department did, though to a less degree (thanks to a deliberate policy of bringing in people from other departments on secondment), in that it is not directly involved in the formulation and execution of Government policies.

7. Nevertheless, I would not now think it right for the whole responsibility for management of the public service (apart from the Efficiency Unit) to be put back into the Treasury. This is partly a matter of overload: it remains the case that Ministerial and senior official management at the Treasury is already hard pressed and can do without an addition to its burdens. It is also partly because the Treasury is generally perceived - fairly or unfairly - as being too exclusively preoccupied with controlling and reducing the growth of public expenditure; interested in management and efficiency only as a means of saving public money to the exclusion of other considerations. The Treasury's concentration on rigorous financial control is likely to increase - and should do so - if Sir Robin Ibbs's "The Next Steps" proposals are implemented. I believe that it is important to keep a capacity at the centre outside the Treasury, responsible to you, which provides, and is seen to provide, expertise and advice independent of the Treasury on issues of public service management and efficiency. Sir Peter Middleton shares the view that it is useful to have a capacity on Civil Service matters at the centre outside the Treasury, which can bring a different point of view to bear, and suggest a need for further thought before decisions are taken.

8. Two other matters have a bearing on the organisation at the centre. These are:

1. Sir Robin Ibbs in "The Next Steps" has pointed out that we now have an opportunity to speed up the rate at which management in government is improved. He stresses that this has to be done by the Civil Service itself seizing the opportunity which has been identified. He argues that this requires us to consider some significant change at the centre so that under the Head of the Home

Civil Service the achievement of this improvement becomes a line management task, at the centre as well as in departments.

2. Sir Kenneth Stowe, in a report to me, a copy of which I attach, has reviewed the functioning of the centre in relation to the heavy programme of work which lies ahead for the whole of government. He concludes that the main deficiency is not organisation as such but the process of management at the centre. He, like Sir Robin Ibbs, sees the need for a "change-driving" mechanism led by the Head of the Home Civil Service, and a slimmer and better directed management effort. He proposes to this end the setting up of an advisory board for management in the public sector which could among other things reinforce the changes in management which we want to achieve.

I should like in passing to say what an enormous help it has been to have Sir Kenneth Stowe here in the period between his leaving the Department of Health and Social Security and his retirement from the public service next month. On these subjects in particular he has been able (freed from departmental distractions) to give time and energy to considering them and discussing them with a wide range of people whose experience qualifies them to give helpful and constructive advice. As a result, his report is the outcome of a thorough consideration and wide discussion of the issues.

9. Improved advisory arrangements will not by themselves be enough to bring about the changes for which we are looking. We shall need to have at the centre an executive capacity which has the responsibility for ensuring that change takes place, and that it takes place in an orderly way. If Sir Robin Ibbs's "The Next Steps" proposals are approved, there will need to be what Sir Robin has called a "project manager", who will need in Sir Robin's view to be of Grade 1 (Permanent

Secretary) rank. The "project manager" will be responsible through the Head of the Home Civil Service to the Prime Minister for providing impetus to the process of setting up "executive agencies" on the lines proposed, and for acting as a source of central advice and co-ordination, so as to ensure that departmental proposals are soundly based and well worked out and to minimise the risks that proposals or activities by one department do not create intolerable difficulties for others. We shall need to get some one in position to undertake these responsibilities as soon as Ministers have approved the Ibbs proposals. The "project manager" will need a small support staff, which we should be able to find within the Cabinet Office without any increase in numbers. He will also be able to look to the Efficiency Unit for advice and support. He might be in the image of Sir Kenneth Stowe, a seasoned and experienced Permanent Secretary called to the centre for his last posting; or he might be a newly promoted Grade 1 (or Grade 1A) with the right kind of previous experience, serving at the centre as a prelude to appointment as a Permanent Secretary in charge of a department. Either model would be perfectly workable, and I see no need to choose irrevocably for one or the other: the choice could change from time to time to fit the people available.

10. Sir Kenneth Stowe's proposal is separate and different from that, but its thrust is in the same general direction. He proposes that, in order to bring greater coherence and a new approach to management of the public service, we should establish an advisory board for management of the public service (we might be able to find a shorter and more memorable title which would help to enhance its standing). As for its terms of reference, it would be advisory not executive, and would be given the task of supporting the Head of the Home Civil Service (who would be its chairman) in the following functions:

- advice to Ministers on the direction and priorities for change;

- support for the Head of the Home Civil Service in the task of ensuring that change is achieved satisfactorily; and in particular support on the implementation of "The Next Steps", if those proposals are approved by Ministers;

- advice on matters of policy on personnel management, including recruitment and training;

- availability for consultation on questions of pay and grading policy;

- availability for consultation on the programme and work of the Efficiency Unit.

11. Both Sir Kenneth Stowe and Sir Robin Ibbs believe that a force is needed which puts pressure on departments continually to seek improvement in their management function. Such a board is intended to fulfil this function. Whether and how best it could do so is a matter which requires more work and thought before it would be possible to say whether that would be practicable and useful.

12. As for its composition, the Chairman would be the Secretary of the Cabinet and the Head of the Home Civil Service, as being your principal official adviser, and it should include:

Permanent Secretary, Treasury (who should be a Deputy Chairman);

Two or three departmental Permanent Secretaries: these should be chosen ad hominem and might serve for fixed terms of, say, three years;

The Prime Minister's Efficiency Adviser, who could be a second Deputy Chairman;

Two other external members: these might also be asked to serve for fixed terms of three or four years.

13. The Second Permanent Secretary, Treasury (public expenditure), the Second Permanent Secretary, Cabinet Office (MPO) and the "project manager" for "The Next Steps" would receive papers and be invited to attend meetings when matters within their respective responsibilities were being discussed (and in practice probably regularly). I should also propose that the Permanent Under Secretary of State, Foreign and Commonwealth Office, as Head of the Diplomatic Service, should receive papers of the board and be invited to attend its meetings, so that he could be aware, and contribute to the discussion, of any issues where there was a "read-across" to the Diplomatic Service.

14. As I indicate in paragraph 21 below, some streamlining of functions at the centre is a necessary consequence of the proposals by Sir Robin Ibbs and Sir Kenneth Stowe. Any change will, however, need to be thought out carefully and timed to synchronise with the other changes at the right time. So long as the present distribution of functions continued, the Treasury would continue to report on questions of running costs, Civil Service pay, Civil Service manpower and Civil Service industrial relations through the Permanent Secretary, Treasury and the Second Permanent Secretary, Treasury (public expenditure) to the Chancellor of the Exchequer and the Chief Secretary. The Cabinet Office (MPO) would continue to report on questions of personnel management (including recruitment and training) through the Second Permanent Secretary, Cabinet Office (MPO) and me to the Minister of State for the Civil Service and to the Prime Minister. The "project manager" would report on the implementation of "The Next Steps" to the Head of the Home Civil Service and through him to the Prime Minister.

15. The Efficiency Adviser, supported by the Efficiency Unit, would continue to report directly to the Prime Minister.

The knowledge that he was on the board would also add greatly to its authority.

16. In deciding how to advise their Ministers, each of these senior officials would be able to consult the advisory board on major issues.

17. The Head of the Home Civil Service would continue to report directly to the Prime Minister as at present on senior appointments, other public appointments, honours, machinery of government, discipline and security, and would continue to be supported by the existing advisory machinery on senior appointments and honours. The advisory board of management would not be concerned with these matters.

18. There would be an Office of the Head of the Home Civil Service in the Cabinet Office, which would comprise;

- the "project manager" for "The Next Steps" and his supporting staff;

- the secretariat of the advisory board for management of the public service;

- the staff of the Efficiency Unit (for 'pay and rations' purposes: they would continue to report on policy matters to the Efficiency Adviser);

- the small groups of staff which provide support for the Head of the Home Civil Service on his other responsibilities (appointments, honours, machinery of government, discipline and security);

- any residual functions (eg determination of policy and

resources frameworks for the Civil Service Commission and the Civil Service College) from the MPO when it disappeared (see paragraph 21 below).

19. This proposal for an advisory board would in my view offer the following advantages:

- it would reinforce the central driving force for change;

- it would associate departmental representatives with the process of central management and supervision of change;

- if the board was given responsibility for conducting the sort of periodic stock-taking of each department mentioned in paragraph 11 above, it would provide the Prime Minister and the Head of the Home Civil Service with an instrument for monitoring the performance of departments in terms of management efficiency;

- in strengthening and broadening the process of directing and overseeing management at the centre, it would in effect provide an answer to those who say that combining the posts of Secretary of the Cabinet and Head of the Home Civil Service means that the interests of the Civil Service are not adequately represented in the process of Government;

- the presence of two external members would both provide the board with an inbuilt source of wisdom and experience on management matters, and provide you and others with an assurance that it was not just a case of the Civil Service licking its own face.

20. If Ministers approve Sir Robin Ibbs's proposals "The Next Steps" and the Prime Minister approves the proposals for an advisory board for management of the public service, there will

be major consequences for the organisation and distribution of functions at the centre. I would not want to propose any redrawing of the frontiers between the Treasury and the Cabinet Office (MPO) until these proposals had been fully worked out and brought into effect: we should in any case avoid making changes now if we can foresee the likelihood of making further changes fairly soon.

21. If, however, we implement Sir Robin Ibbs's "The Next Steps" proposals, the Treasury's responsibilities on pay will be substantially reduced, as departmental agencies assume the freedom to determine pay and grading which would be an indispensable element in their executive responsibility. And the raison d'être of the MPO in its present form would be reduced if the Civil Service Commission, the Civil Service College and the Occupational Health Service were to become (as they well might) "executive agencies" of the kind proposed by Sir Robin Ibbs and move out from the Cabinet Office (MPO), although it would still be necessary to retain at the centre a capacity for advice on recruitment and training policies. Once those developments had occurred, it would probably make sense to transfer responsibility at the centre for personnel management to the Treasury. Responsibility for laying down the policy and resources frameworks of the Civil Service Commission, the Civil Service College and the Occupational Health Service could then be placed with the Head of the Home Civil Service, supported by the Office described in paragraph 19, and reporting to the Prime Minister. The MPO as such would then disappear. At that point, the "project manager" might well be given additional responsibilities in support of the Head of the Home Civil Service on other matters as well as the implementation of "The Next Steps" proposals. But that is all for the future. Though we should have to start planning at once, immediate decisions are not required, and indeed cannot in my view be taken until

the other matters - "The Next Steps" proposals and the proposals for an advisory board - have been decided and brought into operation.

22. When you have time to do so, you may like to discuss these proposals with me, and with Sir Peter Middleton, Sir Kenneth Stowe and Sir Robin Ibbs, to whom I am sending copies of this minute. I have discussed the proposals with all of them. They are all in general agreement with the proposal for an advisory board for management of the public service, though Sir Robin Ibbs does not believe that it would be helpful unless the strong line management responsibility for change under the Head of the Home Civil Service is introduced, and Sir Peter Middleton doubts whether the "stock-taking" function referred to in paragraph 11 would be useful or indeed practicable: he sees that as essentially a function of year-by-year Treasury control and oversight of departmental expenditure. Sir Peter Middleton has reserved the Treasury's position on Sir Robin Ibbs's "The Next Steps" proposals, which have not yet been considered by the Chancellor of the Exchequer. He would also prefer to transfer responsibility for personnel management from the Cabinet Office (MPO) to the Treasury without further delay, thus securing a Permanent Secretary post - especially desirable in his view if we are to have a new Permanent Secretary as "project manager" for "The Next Steps" - whereas I have suggested that no change should be made in the distribution of functions as between the Treasury and the Cabinet Office (MPO) until decisions have been taken on "The Next Steps" and on the future disposition of the Civil Service Commission and College, and until the proposed advisory board has been established.

23. The first priority is clearly to take decisions on "The Next Steps"; now the Election is over, we have restarted that process. If those decisions are in favour, it will be

necessary to get a "project manager" in position, to make an announcement, and to get on as fast as possible with the processes of consultation which will have to be gone through.

24. If you were to give approval in principle to the proposals for an advisory board for management of the public service, we could then get on with working out detailed proposals for its title, terms of reference and composition, suggest candidates for appointment to it, work out the detail of the supporting secretariat, and prepare a draft announcement to be made after the announcement of "The Next Steps". You would no doubt want to let your Cabinet colleagues know how you were proposing to proceed before making an announcement; and before doing that you would want to discuss the proposals with the Chancellor of the Exchequer and the Minister of State for the Civil Service. Copies of this minute could be sent to them as a basis for such a discussion.

RTA

ROBERT ARMSTRONG

25 June 1987

The Better Management of Government
Report by Sir Kenneth Stowe

Introduction

I was asked by the Head of the Civil Service, with the agreement of the Head of the Treasury and of the Prime Minister's Adviser on Efficiency, and with the approval of the Prime Minister, to review the central arrangements for the management of the Civil Service.

2. In this memorandum I report on the conversations I have undertaken and the conclusions I have reached; and set out for consideration some proposals for dealing with the issues which have been revealed.

3. I consulted widely at senior levels within Government. In particular, I consulted the Permanent Secretary Heads of Departments; the Heads of the Government's principal professional services (Accountancy, Economic, Legal, Medical and Statistical); the second Permanent Secretary, Treasury, responsible for public expenditure; the Head of the Management and Personnel Office in the Cabinet Office; and a number of senior officers at grades 3 and 2 (the five Deputy Secretaries in relevant posts in the Treasury, MPO and Cabinet Office were especially helpful). I also consulted outside Government, eg former civil servants and others with knowledge of government.

4. Immediately before my consultations began, the Prime Minister's Efficiency Unit had completed its scrutiny of the progress made to date in the better management of Government Departments, which was reported to the Prime Minister in "The Next Steps". Sir George Moseley also completed his review of the Senior Open Structure of the MPO. I take account of these in what follows.

The Work to be Done

5. The better management of the Civil Service, and of civil servants, cannot be divorced from the better management of the work it has to do, ie to carry out the tasks of government. The substance of that work is in part closely directed by Ministers as they generate the demand for information and advice, and determine the action. But much is not: many tasks are required to be done or in practice have to be done without any involvement of Ministers at all, eg in relation to the rights and obligations of individuals, or in response to statutory and international authorities. And much of this is demand-led.

6. Both kinds of work - informing and advising Ministers and Parliament; and implementing by executive action the policies of Ministers and the laws enacted by Parliament - are concurrently heavily loaded and undergoing substantial and rapid change. Many of the problems and concerns brought to my notice underlined this fact. Continuing and accelerating change in the work to be done, and in the way it has to be done, are seen as inevitable but also as an impediment to coping with the pressure and doing it well. Yet change is not only a permanent feature: there is a need for more, not less of it, in some respects at least, if the United kingdom's problems are to be successfully resolved. And there is certainly need for more change in the way the Civil Service is itself managed, if it is to respond to current and prospective demands on it.

7. These considerations led me to focus my discussion with Heads of Departments on two questions. Assuming (for obvious reasons) the continuation in the next Parliament of present Ministerial policies, under the present Administration:

1. What do you want to achieve in your Department over the next 2/3-4/5 years, the timescale depending upon the nature of the Department's Ministerial objectives?

2. What help do you want from "the centre" of Government, ie the Cabinet Office, Management and Personnel Office, and Treasury, to enable you to do this, are you getting it, and are you getting what you do not want?

8. The Permanent Secretaries' answer to the first question were, of course, reflections of their current Ministers' policies, which had to a considerable extent been collectively considered and agreed; and many had been made public in the Government's Election Manifesto or in the process of the Election itself. Although not recorded here, they were a necessary part of the background to the views expressed in --- answers to the second question, which are summarised in Annex 1.

Findings

9. The substance of my consultations, and the conclusions to be drawn therefrom, are easily distilled:

1. The overriding impression I have gained is of a Civil Service whose senior management is poised to face an exciting future and impatient to make the necessary changes, so as to make a success of what it will have to do. But it is widely believed that the management of the Civil Service has not yet sufficiently adapted to the new environment; and that Ministers' expectations will not be able to be met unless changes are made in management, both at the centre and in Departments.

2. There is no support for, nor confidence in, the present structure of management at the centre, at any level. This view is held as strongly in the MPO, Treasury and Cabinet Office as it is in the Departments.

3. From the standpoint of the centre itself the common view is that there are too many "management" interests

competing for departmental attention and that a disproportionate amount of time is spent on "co-ordination", ie resolving conflicts of interest, or competing for the attention of Heads of Departments and their line managers, whose priorities lie elsewhere.

4. From the standpoint of the operating Departments outside the centre, it is seen in much the same light. But they voice the additional concern that the centre has the freedom and the inclination to distinguish artificially between good policy and good management (and to focus on the latter under sundry heads) which Departments do not have. This makes some of the centre's efforts appear, in consequence, to be irrelevant or ill-informed.

5. The combination in one post of the roles of Secretary of the Cabinet and Head of the Home Civil Service is seen as a handicap. The overload on it stands in the way of these conflicts and problems being resolved, but the authority to resolve them cannot be found elsewhere. It is also seen as liable to result in the subordination of the better management of the Civil Service to the day-to-day response to Ministerial wishes and the pressure of business.

Comment

10. No-one should under-estimate the magnitude of the tasks which the Civil Service will be called on to perform over the next decade, nor the leadership and competence required of its managers at the centre, and in Departments, from Permanent Secretary downwards. Some at least of those I consulted in the central Departments were necessarily aware of the challenges ahead; others could not be. But, judged by my consultations, nowhere in the centre would there be any disposition to disagree that changes are needed in the centre itself, as well as in

departments, to enable the Civil Service to deliver what Ministers, Parliament, and the public expect of it.

11. The problem at the centre is not just a problem of organisation, to be solved by re-allocating some of the existing activities. It is also a problem of attitude, of re-thinking what the centre's objectives should be. If Permanent Secretaries are even approximately right in their assessment of departmental objectives over the next 3-4 years, then what is required of the centre is understanding of and support for the achievement of those objectives, and the centre's objectives should be defined and directed accordingly. In short, the centre needs informed and well-targeted direction to support the totality of Government objectives realistically assessed.

12. The departmental objectives as reported to me constitute a massive task of policy development (including legislation) or service development, or both. So far as I could judge, the departmental objectives were not mutually inconsistent. But they had one obvious deficiency, and they implied a major problem.

13. The deficiency was that, while Permanent Secretaries recognised the validity of the central economic aim of growth in Gross Domestic Product by creating the right climate for private sector expansion and reducing inflation, in terms of their own Department's relations with the Treasury they saw the Treasury as interested primarily in controlling and where possible reducing public expenditure, to the virtual exclusion of other considerations such as the implementation of policy or the betterment of services. Conversely, not all Departments were seeing themselves as major contributors to the over-riding economic aim. One can understand how all these perceptions have arisen, but they are wrong and require urgent correction.

14. The major problem implied (and sometimes stated) was that the centre was not adequately equipped to pull all this together; that the departmental resources (especially high quality staff) would not be adequate because the magnitude of the task was not understood; and that too much of the "management" effort at the centre was - though praise-worthy in itself - not very relevant to departmental priorities as perceived by Ministers and their Permanent Secretaries.

15. None of this is directed at individuals. The centre has in it some of the ablest people in Government, many recruited from other Departments and, therefore, familiar with the problem. Their commitment to making it work as well as it does is widely respected; and their difficult-to-conceal frustration attracts sympathy. It is recognised that if able and energetic people are employed to tell Departments how to manage their business better, they will. But that may not get the best results.

16. Nor is it inconsistent with the findings of the Senior Open Structure (SOS) Review of MPO and the Efficiency Unit scrutiny of Departmental management (The Next Steps). As regards the centre, the SOS Review describes the scene thus:

> "A discussion of remedies lies outside my terms of reference. Suffice it to record that a very great deal of senior staff effort is currently being devoted to ensuring that the two central departments keep reasonably in step; that the division of responsibilities between the two departments appears unnecessarily bizarre; and that, in the opinion of many of those involved, the present arrangements may be retarding rather than advancing the attainment of some of the Government's objectives."

17. The Next Steps, which specifically recognises the differing managerial needs and interplay of service-delivery on the one

hand and, on the other, of policy development and political support for Ministers, comments thus on the centre:

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

18. The view commonly expressed, and not only inside Government, that the roles of Head of the Home Civil Service and of the Secretary of the Cabinet cannot sensibly be held in one post is in a different category. The tasks that fall to be done under each head are not commonly well understood: indeed, there is no formal and public "job description" for either office. And very few individuals indeed have done either job or observed at first hand what is entailed. The suggestion that the roles be separated, if applied simplistically and within the present structure, would repeat the error of the Fulton Committee in its proposition (para 182 of the Fulton Report) that the functions of "manager" and "senior policy adviser" can and should be separated at the highest level. They cannot be, as experience has shown. And nowhere is the suggestion now made that the Permanent Secretary's role should be so bisected in departments generally. Nevertheless, the view that change is needed is not advanced irresponsibly. And it is possible that the underlying concerns, if accurately diagnosed, could be met by a new approach to the conduct of business at the centre.

Conclusions

19. I draw the following conclusions:

1. The task of carrying out the Government's programme over the next 3 to 10 years is in volume and in complexity as great as, and perhaps greater than, at any time since the post-Second World War reconstruction. But it is not the whole story: the demands of Parliament, of the judicial process, and of the media will continue to grow; as will the demands of the public for services delivered by Government to be brought up to an acceptable standard. The work of the Civil Service will need to be better and differently managed to accomplish all, or even much, of this.

2. The time is, therefore, ripe for change - substantial and speedy - both in the centre and in departments. But it requires the right lead from the centre.

3. To this end, some change in organisation at the centre, for example to clarify the functions in the management fields as between Treasury, MPO and Efficiency Unit, might appear prima facie desirable. But simply to re-distribute any or all of the existing management functions (and to add the new task of implementing The Next Steps) without re-thinking what are the centre's functions and priorities would simply add further distractions. In the longer term, there may be a case for substantial change. I do not, however, see this as the highest immediate priority, although an early change to eliminate overlap in the management field would have both practical and symbolic value.

4. Much more important are the twin issues of (a) how to secure better direction and control of all the activities

at the centre which relate to the management of the Civil Service; and (b) how to ensure that what is done at the centre is targeted on results whose achievement will be seen by departments and their Ministers as belonging to their own management objectives and priorities. This is a matter of management process rather than of structure and organisation.

5. More important still is to build in to the management process at the centre the means whereby:

- progress on major reforms and their better management, can be both supported and monitored;

- energy, enterprise and vision can be continually renewed; and

- the requirement for further management change and development can be identified and pursued in support of - and not at odds with - the work of Government as a whole.

The New Central Machinery of Government: Options

20. The files of the Treasury, the Cabinet Office and the MPO record many essays in how to make the central machinery better - or at least different. The options, well rehearsed over many years, boil down to:

a. recreate the CSD by transferring the responsibility for pay and manpower (and, therefore, a large part of running cost control) to the MPO;

b. recreate the pre-Fulton Treasury, with or without further refinements;

c. maintain the status quo.

21. I have deliberately not undertaken any new analysis of these options even though each has its current protagonists. My own judgment is that any immediate gain from options (a) or (b) over the status quo would be modest, and the long-term gain uncertain; the disruption and cost would not be insignificant. Very few of those I consulted thought that the solution to current and prospective problems in the management of Government business lay primarily in organisational change per se, although the muddle at the interface between MPO and Treasury needs tidying.

22. The deficiency which needs urgent attention is the absence of overall direction and control of those functions relating to the management of Government business which must be done at the centre. The urgency is enhanced by the proposals in The Next Steps. If Ministers collectively accept the analysis and prescription in The Next Steps, the machinery to implement it does not exist. But to bolt on a new unit, for this purpose, to the existing central units would compound confusion. The critical path to implementing The Next Steps, (and to carrying forward effectively the existing FMI) lies, therefore, through the establishment quickly and economically of a well-ordered process for direction and control of the Civil Service management effort.

23. A further and very relevant factor is the concern of the Prime Minister, as Minister for the Civil Service, that she should be (but has not been) regularly informed about progress - or lack of it - in the management of the Government's major objectives, and of departmental efficiency in achieving them.

I have seen with progress but speaks of lack

24. What is required at the centre now is an effective change-driving mechanism which:

a. reports and is accountable through the Head of the Home Civil Service as the Prime Minister's principal official adviser, to the Prime Minister;

b. secures the commitment of the Chancellor and the Chief Secretary, and their Permanent Secretaries, ie the resource controllers;

c. can form an overview of the totality of the Government's work programme and so advise, as necessary, on all the existing central management instruments, so as to support that programme and determine priorities for necessary change;

d. includes relevant high-level expertise, and experience in change-making management, from outside Government;

e. includes expertise and experience in Government from two or three major departments at Permanent Secretary level; and

f. has the standing to present its case for change, and for the progress achieved, to the Prime Minister, to departmental Ministers, and to the Government's employees; and, as appropriate, to the public and to Parliament.

25. This could be done, and might best be done, by establishing an advisory board of management for the Civil Service, which would include all the elements set out in paragraph 24 but especially these four crucial elements:

- it would report and be accountable through the Head of the Home Civil Service to the Prime Minister;

- the Treasury and the Prime Minister's Efficiency Unit must be committed to it and in it;

- it should be led, or chaired, by the Head of the Home Civil Service, as the Prime Minister's principal adviser, adequately supported; and

- there must be a strong - but carefully-chosen - external element.

My judgment is that the last is a vital new component which contains the key to the success of what Government is embarked on. The independent external element could help by challenging existing practice, by pressing for change where it is needed (and help in holding it back where it is irrelevant), and by critical monitoring of progress. It could give new credibility to the central leadership of a Crown service and those who work in it. Most important of all, the right kind of "outsiders" could give confidence to Ministers that there is a built-in protection against insularity and inertia. A brief outline of such a board and how it might work is at Annex 2.

26. There are models elsewhere in Government departments which are already demonstrating the merits of this approach. Each operates as best suits its responsibilities. The same would be true of a board for the management of the Civil Service, but it is worth recording the valuable suggestion made by one Permanent Secretary as to how the centre should conduct itself, which such a board could well develop and direct. This suggestion needs further examination; but in essence it is that the centre-department relationship should incorporate the principle of a periodical (annual) stocktaking or "audit" of each Department's performance measured against agreed objectives which takes full account both of the totality of the Department's responsibilities and of all the central responsibilities for management. Such a review could follow on from the Department's own reviews of its performance, under the now-generally-established management accounting process, and would require the centre and the Department to get their act together. The

outcome of a stocktaking of this kind would be reported to Ministers, so that any outstanding points of conflict can be resolved. It should necessarily be related to the PES framework. And it should embody a clear understanding between the centre and the individual Departments as to the action required during the next year over the whole range of management issues, and at all levels, ie ad hoc and unco-ordinated interventions in particular aspects of a Department's performance during the year would cease.

27. Finally, it cannot be emphasised too strongly that this approach does not erode Ministerial responsibility: a central board of management could not be more than advisory to the Prime Minister and her colleagues in terms of policy for Civil Service management and it could not detract from each Minister's responsibility for his Department. But it should be able, with the authority of the Prime Minister behind it, to enjoin, support and encourage high performance from all the Departments of State in formulating and delivering both the Government's programme for the next Parliament and its services to the public.

28. To sum up:

1. We have a problem in the centre with its functions in managing the Civil Service, in Departments with their management of themselves, and in the apparent disconnection between the two.

2. Notwithstanding all the progress made so far in the creation and implementation of new policies, there are massive tasks ahead on which we shall falter or stumble if the Civil Service is not adequately provided for within available resources and better managed at all levels.

3. The Next Steps report makes valuable proposals for the

better management of service delivery. The implementation of these will itself require change in the targeting and leadership of the management effort at the centre as well as in Departments.

4. But management of service delivery is not enough. The over-riding requirement of political support for Ministers in day-to-day business and in policy development is just as demanding in terms of management.

5. The totality of the management task in Departments and in the centre must, therefore, be comprehended so that it can be brought under effective and coherent leadership and direction.

6. Tinkering with the allocation of responsibilities at the centre will be a distraction rather than a solution. Some organisational change may become necessary. What it should be is more likely to become obvious if (see para 19.4 and 19.5) we meet the real need first.

7. To this end, I propose in outline the establishment of a central board of management for the Civil Service - paragraphs 25-26 and Annex 2.

KENNETH STOWE

June 1987

ANNEX 1

What Permanent Secretaries Need from the Centre to Deliver their Programmes

Six broad themes stand out in what Permanent Secretaries look for from the central Departments to support the Government's major programmes.

i. Fewer central initiatives, more focus on helping Departments achieve their objectives. Central management initiatives are excessive in number and do not always address the management problems individual Departments are encountering. Many Permanent Secretaries identify potential improvements in management and efficiency within their Departments on which they wish to concentrate, but consider that central initiatives currently impede the ability of departmental officials to get on with managing departmental resources so as to achieve departmental aims. Central Departments should instead offer consultancy and specialist advice addressing line Departments' problems, and otherwise so far as possible leave Departments alone to manage their agreed programmes and resource allocations, in line with the logic of the FMI. The centre should be able to explain how any initiative it does impose on Departments relates to agreed policy aims. Specific suggestions are that central Departments might adopt a "peer review" approach to line Departments, in which a review team would combine both necessary central appraisal of line Departments and the dissemination of best practice; and that central Department staff should understand, and preferably have experience of, large executive operations.

ii. More freedom to manage within agreed resource ceilings. Central Departments need to re-examine public expenditure conventions and control mechanisms in the light of the FMI. In particular they seek greater flexibility on "annuality", on gross running cost controls (perhaps

permitting Departments to move resources between running costs and programme expenditure where this would yield better service), and on the boundary between public and private expenditure (to support joint public/private projects).

iii. Matching departmental resources to departmental programmes. There is a risk of a growing gap between Departments' programmes and the resources available; some Permanent Secretaries identify specific needs for increased staff numbers in the short term, others see the problem of quality as more acute.

iv. Strategic overview and co-ordination from the centre. The centre of Government needs to be able to provide coherent statements of what Government (or parts of it) is about. A more effective overview is needed to secure co-ordination and, where necessary, integration, looking well ahead. This should look across departmental boundaries, so as to comprehend the interaction of one Department's policies with those of another, analyse how the machinery of government might best be structured to contribute to efficient programme delivery, and achieve effective decision-taking on interdepartmental issues.

v. Framework for Civil Service. What is required is an adequately (but not excessively) consistent framework for the operation of a career Civil Service. This needs to indicate clearly how civil servants relate to their employer, to include terms and conditions which bear a positive relationship with what civil servants are asked to think of themselves and to provide motivation. There is a particular need to be able to recruit and retain in Departments staff with skills currently in short supply; this may entail discretion to decide on increased pay for such groups, or a wider approach to providing skilled

manpower from agencies and consultancies as well as direct employment. Central responsibilities for pay and management should cease to be compartmentalised, should give more weight to management needs as opposed to economic and political considerations, and should secure a more effective contribution from the oeprating Departments. Particular needs identified are for training to be further developed, for more outsiders to be recruited to key senior executive posts, for individual Departments to be better able to draw on the resources of the Service as a whole, and for individual Departments, including those geographically remote from other large Departments, to continue to be able to attract new blood.

iv. Review financial accountability to Parliament. There is a real conflict between traditional forms of accountability for public money to Parliament and the "risk-taking" culture implicit in growing public/private sector financial partnerships. Some Permanent Secretaries suggest that there may be a need to develop new policies and structure for Parliametnary accountability, taking account of the FMI and including a review of the adequacy and relevance of the present PAC and NAO roles.

ANNEX 2

A Board of Management for the Civil Service

There is already in existence a Joint Management Board jointly chaired by the Head of the Civil Service and the Permanent Secretary to the Treasury and drawn from the Cabinet Office (MPO) and the Treasury. There is also a Joint Management Meeting jointly chaired by the Second Permanent Secretaries in the Treasury (Public Expenditure) and the Cabinet Office (MPO). These bodies, though useful, are not well known, and do not, of themselves, meet the requirement set out in paragraph 24.

2. An effective board of management for the Civil Service would need to have a different kind of role and structure if it were effectively to address the problems considered in this report.

3. The primary role of such a board would be to advise the Prime Minister on, and supervise the overall direction of, those functions relating to the management of the Civil Service which must be performed at the centre. Examples of such matters are (looking backwards) manpower controls, the introduction of performance-related pay and the development of VFM practice under the FMI, and (looking forward) the special problems relating to the maintenance of the five largest professional groups in the Civil Service.

4. The board would also:

(i) have the key role in overseeing the programme for the implementation of The Next Steps;

(ii) be responsible for securing at the earliest possible date the "slimline" central management capability specified in paragraph 40 of The Next Steps;

(iii) establish a rolling programme of periodical (usually annual) reviews, jointly with each Department, of the management of the Department's programmes and services, and the progress being made in meeting objectives; and

(iv) maintain a visible support for the Head of the Civil Service in providing the necessary leadership of and communication with the personnel of the Service, eg by well-presented visits to a variety of Civil Service units.

5. The board of management would be formally chaired by the Prime Minister's principal adviser, ie currently Sir Robert Armstrong in his capacity as Secretary of the Cabinet and Head of the Home Civil Service. In order that the board should meet, and be known to meet, regularly it would certainly be necessary for there to be a Deputy Chairman (or two Deputies) of sufficient standing that he (they) could play a substantial role in providing visible support for the Head of the Civil Service. This role could be combined with the role of "Project Manager" for the implementation of The Next Steps (as specified in paragraph 41 thereof). Other possibilities which might be preferred, however, are to ask an external member to take on this role (cf Sir Roy Griffiths role in the NHS Management Board) and/or to combine the Deputy Chairman role with the role of one of the Permanent Secretaries in the Treasury. The "Project Manager" would then be designated as a board Member.

6. Other members of the board (using current terms and appointments) would be:

- the Permanent Secretary to the Treasury, who could be a Deputy Chariman;

- the Second Permanent Secretary, Treasury, in charge of public expenditure;

- the Second Permanent Secretary in charge of the MPO, for so long as that Office exists;

- the Prime Minister's Efficiency Adviser, who would, of course, retain in that role his access to the Prime Minister and would be supported in it by the secretariat of the board (see paragraph 7 below); he could be a second Deputy Chairman of the board;

- two other external appointees of standing, carefully chosen for their relevant expertise and experience, eg in personnel or large-scale financial management or management of diverse businesses;

- two or three Permanent Secretaries who are current heads of Departments*.

7. The board would need a secretariat, with the capacity also to commission any investigative work required by the board. The existing Efficiency Unit and possibly the Joint Management Unit could become parts of the Secretariat, though the Efficiency Unit would still be directly responsible to the Prime Minister's Efficiency Adviser. It would be small: headed by a Grade 3 officer with perhaps two Grade 7s and clerical staff in support; the net result should be the first - and viable - step towards a slimmer centre.

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*Regular meetings of all Permanent Secretaries for exchange of information would, of course continue; there would be merit in developing further under the chairmanship of a board member the practice of convening, ad hoc, small groups of Permanent Secretaries to address particular issues; and it would be important to ensure that the Permanent Secretary members of the board of management were experienced in a diversity of Departments, perhaps serving, therefore, for only one or two year as board member.

8. The board's programme and methods of work would obviously be developed on its own initiative but it should have a public face in the sense that its members should from time to time visit different units of the service; it might also have referred to it by the Prime Minister specific matters for investigation and report; it would, of course, advise or report to appropriate Ministers on matters relating to particular Departments and it should submit a brief and well presented Annual Report to the Prime Minister in place of the existing Report of the Management and Personnel Office.

9. The board's collective advice to Ministers, like the advice of its members who are permanent officials, would of course be confidential. But its terms of reference and its membership, would need to be publicly announced and properly presented to Parliament and the Civil Service. Ministers could, with advantage, publish from time to time reports to them by the board on specific matters, as well as its Annual Report. By so doing, and by the visible presence of board members in Civil Service units from time to time, they and the board itself could substantially enhance the leadership of the Civil Service as a whole.

CONFIDENTIAL AND PERSONAL

File

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

ENTERPRISE AND DEREGULATION UNIT

The Secretary of State for Employment this morning had a meeting with the Prime Minister and accepted that the Enterprise and Deregulation Unit should be transferred from the Department of Employment to the Department of Trade and Industry. Mr. Fowler was concerned, however, that the present Head of the Unit, his chief economist, should not go with the Unit to the Department of Trade and Industry. The Prime Minister invited Mr. Fowler to discuss this with the Secretary of State for Trade and Industry, noting that Mr. Fowler would need his good people.

(DAVID NORGROVE)
18 June 1987

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PRIME MINISTER

MEETING WITH MR. FOWLER

Nigel explained to Mr. Fowler yesterday that you wished to see him to tell him of your decision that the Enterprise and Deregulation Unit should be transferred to the Department of Trade and Industry. Mr. Fowler said he wished to consider this: he was concerned about the presentational effect of taking the Unit away from the Department of Employment. He has not taken the opportunity to cancel the meeting with you, so it is possible that he will seek to argue against the transfer at your meeting this morning.

There are really three points to make to him:

(i) the Unit is very much Lord Young's baby; it moved with him from the Cabinet Office to the Department of Employment;

(ii) it involves only 20 people;

(iii) it is unlikely that more than a very few people would notice that the Deregulation Unit was being transferred and if they did they would not be surprised.

DRN

(DAVID NORGROVE)
18 June 1987

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COPIED TO: PRIME MINISTER.
Meetings with Lord Young, June 86

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister this morning met Lord Young and discussed several of the Machinery of Government points analysed in your minute of 16 June to Mr. Wicks.

The Prime Minister agreed that responsibility for "enterprise and de-regulation" should be transferred from the Department of Employment to the Department of Trade and Industry. The Prime Minister is to see Mr. Fowler within the next day or so to tell him of this change. The question of responsibility for small firms and tourism was not discussed. (After the meeting Lord Young told me that his Department had urged him to seek a transfer of small firms and tourism. He had not, however, felt it right to raise this with the Prime Minister, believing that she would refuse.)

Lord Young proposed a new Ministerial Group on Urban Policy. The Prime Minister would chair the first meeting and the Chancellor of the Duchy of Lancaster would then take over. Lord Young offered to send the Prime Minister a note for the weekend about the terms of reference of the Committee and its membership. The Prime Minister agreed that there was a need for a central committee to take a more active role in policy towards the inner cities. She did not comment on the proposal that Mr. Clarke should chair meetings after the first. I suggest that we wait for Lord Young's minute before taking further action.

JB

Lord Young said that he was at the Prime Minister's disposal for anything she might wish him to do on research and development. The Prime Minister thanked him, but made no other response.

Outside the meeting Lord Young told me that he was personally opposed to higher spending on space. He had not yet decided how to take forward this question.

DAVID NORGROVE

17 June 1987

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Ref. A087/1651

MR WICKS

WITH NEW?

In your minute of ~~21~~ May 1986 you asked me to seek the confirmation of the Law Officers that the Secretary of State for Employment has powers in the Employment and Training Act 1973 to remove the Employment and Enterprise Group from the Manpower Services Commission and merge it in his own Department.

2. Sir Patrick Mayhew agrees that the issue is essentially the same as that considered in 1983, and he sees no reason to alter the view he gave in his Opinion of 28 October 1983, including the cautionary notes sounded in that Opinion. The Lord Advocate has not been sounded, but it seems most unlikely that a different view would be taken in Scotland.

RA

ROBERT ARMSTRONG

16 June 1987



Prime Minister

I think Lord Young is more likely to propose a transfer of enterprise and deregulation than a transfer of small firms and tourism. DCW 16/6.

Ref. A087/1713

MR WICKS

I understand that, when the Secretary of State for Trade and Industry comes to see the Prime Minister, he may wish to propose certain changes in the machinery of government.

2. I gather that he may propose that responsibility for small firms, for tourism, and for enterprise and deregulation should be transferred from the Department of Employment to the Department of Trade and Industry, in addition to the Department of Employment responsibilities for inner cities (City Action Teams etc).

3. Responsibility for small firms and for tourism were in fact transferred from the Department of Trade and Industry to the Department of Employment at Lord Young's suggestion when he became Secretary of State for Employment. If, with his move to the Department of Trade and Industry, the focus on "enterprise" is to follow him there, there is no reason of principle why these responsibilities should not return to that Department. The transfer would require a Transfer of Functions Order (subject to negative resolution).

4. Responsibility for "enterprise and deregulation" started life with Lord Young when he was Minister without Portfolio and followed him to the Department of Employment. There is no overwhelming reason why it should not move with him to the Department of Trade and Industry, and that could be done administratively; no Transfer of Functions Order would be needed. It could be argued that it might be preferable to leave this responsibility with the Secretary of State for Employment, on the ground that the Department of Trade and Industry is required to discharge a number of regulatory responsibilities in

relation to industry, and there is scope for conflict of interest if the same Secretary of State is responsible both for enforcing regulations and for a policy of deregulation. As against that it is arguable that that conflict can as well be sorted out by one Secretary of State as between two.

5. There is another general consideration. If all these matters were to be transferred to the Department of Trade and Industry, virtually all the Department of Employment's responsibilities for "enterprise" would have been taken away from it. That would inevitably diminish Mr Fowler's ability to make a positive impact in his new office, and he might feel that he had been robbed.

6. The transfers would add to what is if anything an overlarge Department (DTI) and diminish what is if anything an uncomfortably small Department (Employment). But the effect is marginal: only 120 staff are involved in small firms and tourism, and only 20 in enterprise and deregulation (as well as 40 on inner cities). The total number of staff involved is only 180. Even so, there could be accommodation problems in the transfer: I have not been able to investigate that.

7. One possible conclusion might be to leave small firms and tourism with the Department of Employment, and transfer only the responsibility for "enterprise and deregulation".

8. I understand that Lord Young may also propose a Cabinet Committee on Inner Cities, to co-ordinate the activities of the various Departments in that area of policy.

9. We already have a Ministerial Group on Urban Policy (MISC 104), whose membership consists of:

Prime Minister
Lord President

Home Secretary
Secretary of State for Trade and Industry
Secretary of State for the Environment
Secretary of State for Employment
Secretary of State for Social Services
Secretary of State for Education and Science
Chief Secretary, Treasury

We could retain this as a MISC group (perhaps adding the Chancellor of the Duchy of Lancaster), under the chairmanship of the Prime Minister if she so wished or under the chairmanship of the Lord President. I doubt whether the Secretary of State for Trade and Industry should be asked to chair it himself: he is only one of a number of Ministers with responsibilities in this area, and it needs a senior and "neutral" Minister to chair it.

10. If the Prime Minister wanted to give this aspect of policy a higher profile within Government, the Ministerial Group could be reconstituted as a Ministerial Sub-Committee in the E family. Thus we might have a Sub-Committee on Urban Affairs (E(UP)) with terms of reference like:

> To review and co-ordinate Government policies in relation to inner cities, and report as appropriate to the Ministerial Committee on Economic Affairs.

11. Finally, I understand that Lord Young may want to raise the question of research and development. Before the Election the Prime Minister approved proposals for strengthening the machinery for co-ordinating policy and resources on science and technology, and reconstituting the Sub-Committee on Research and Development (E(RD)) under the chairmanship of the Secretary of

State for Trade and Industry as a Sub-Committee on Science and Technology under the Prime Minister's chairmanship. I shall shortly be submitting detailed plans to give effect to these proposals.

RA

ROBERT ARMSTRONG

16 June 1987

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MINISTER OF STATE, PRIVY COUNCIL OFFICE

C87/2114

PRIME MINISTER

8 May 1987

CIVIL SERVICE - MINISTERIAL RESPONSIBILITIES

After 20 months in the job, I think it right that I should give you my views on my Civil Service responsibilities.

2. I do not think it makes for good or efficient management to have Ministerial responsibilties for the Civil Service divided between Treasury and MPO. It is clearly not satisfactory to be in a position where I am answerable in Parliament for all aspects of the Civil Service, but not responsible under you for decisions on all those aspects. The Civil Service dispute is an example of this.

3. I have no easy solution to this but would suggest consideration of amalgamation of MPO and Treasury Civil Service functions, and that Ministerial responsibilities should be adjusted accordingly.

4. The combination of Ministerial responsibilities for the arts and the Civil Service is not the most logical, though it has been made to work reasonably well. You may want to look at that aspect too.

5. On the arts side there is a case for some tidying up, and for the OAL to take on the central heritage responsibilities from DOE, and for the divided responsibilties with DTI for the film world to be looked at too.

6. I hope that this is helpful.

RICHARD LUCE

MINISTER OF STATE
PRIVY COUNCIL OFFICE

PART 6 ends:-

DB TO OAL 16.1.84

PART 7 begins:-

MOS/PCO TO PM 8.5.87


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