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Prime Minister
M. J. 3/18

MR. WHITMORE

The Organisation of the Central Departments

The Prime Minister will have had a minute from Sir Ian Bancroft, covering the report of the group of officials commissioned to study the pros and cons of merging the Treasury and the CSD. I have not been associated with the preparation of the study or of Sir Ian Bancroft's minute. That is not meant to be a complaint: simply a statement of fact.

2. The Prime Minister will have enough to read without my adding a long and closely reasoned document setting out my views on the matter. I therefore state them dogmatically; but I am of course very ready to speak to them either with the Prime Minister and you or more widely. If there is to be a meeting on the subject, I should like to be present.

3. My own conclusions are:-

- (i) I remain convinced that the balance of benefits and disadvantages is in favour of merging the CSD into the Treasury.
- (ii) I believe that it ought to be a merger which carries the integration of the public expenditure divisions of the Treasury and the manpower divisions of the CSD well down to what are called desk officer levels; the integration should not be just at Permanent or Deputy Secretary level. I am therefore for Option B. I should not object to Option A as an intermediate stage, provided that it was clearly understood from the outset that it was an intermediate stage, and that the objective was Option B.
- (iii) The savings identified - about £500,000 a year net - are not negligible; but they are far from being the whole story. I believe that larger savings would accrue, not just in the merged Department but in the rest of Whitehall, as a result of improvements in the effectiveness of the merged Department.

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- (iv) I think that recruitment should remain the responsibility of the Civil Service Commission, which should retain at least its present degree of independence from the merged Department. I should like to see training (including the Civil Service College) added to the Commission's responsibilities and perhaps some other relatively non-controversial aspects of personnel management which affect the efficiency and welfare of civil servants.
- (v) I agree that the new Department should have only one Permanent Secretary at its head.
- (vi) I am not convinced that the Permanent Secretary of the Treasury should be ex officio the Official Head of the Home Civil Service. There are two questions here:
- (a) who should carry out the duties peculiar to the Head of the Civil Service (advising you on senior appointments and on patronage, including honours); and
- (b) whether we need an Official Head of the Civil Service.
- (vii) On the point about the duties:
- (a) when senior appointments were dealt with from the Treasury before, there was a good deal of dissatisfaction and suspicion about the way it was done and about some of the results;
- (b) these are very much matters which are the personal responsibility of the Prime Minister, and it would make sense for her to be advised on them by the Permanent Secretary who in the nature of things sees her most frequently and is in most regular contact with her.

This points to placing these duties upon the Secretary of the Cabinet. I believe that, as things now are, that is where they ought to be. There are two counter-arguments:

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(1) The supporting staff on senior appointments will be in the appropriate divisions of the Treasury, and would have to report across the Departmental boundary. That is not a serious difficulty: the Secretary of the Cabinet already gets advice from officials of the Treasury on other aspects of his responsibilities.

(2) The Secretary of the Cabinet already has more than enough to do. True, and I am not looking for trouble, *but* the Permanent Secretary of the new Treasury will equally have more than enough to do. In this respect there is nothing to choose between them. If the duties are transferred to the Secretary of the Cabinet, he will have - and I believe would be able - to reorganise his activities so as to accommodate the additional work.

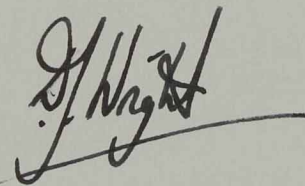
*A likely consequence of this
would be a removal of the
proposal to upgrade Mr
Franklin's post.*

(viii) I am myself doubtful whether it is necessary or advantageous to retain the title of Head of the Home Civil Service. It was invented in the 1920s as part of the process of establishing the supremacy of the Treasury. It does not need to be retained for that purpose (I leave on one side the validity of the purpose); and I think that, if it fosters either in its holder or in any one else the illusion that its holder is in some sense a representative leader of the Civil Service, as the Commissioner is of the Metropolitan Police or the Chief of the General Staff is of the Army, able in some way to "stand up" for the Civil Service in public, if necessary against Government policy (for instance, on pay), then it is positively disadvantageous and even dangerous. But I do not think that it matters very much whether we keep the title or drop it.

(ix) If the Departments are merged, and it is decided to go for only one Permanent Secretary at the head of the new Department, there will be an awkward transitional problem until Sir Ian Bancroft retires.

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4. I have had some discussion of these matters with Mr. Ibbs; the Prime Minister may like to see the attached copy of a minute which he has sent me on the subject. His views reinforce me in my conclusions on the need to keep recruitment and training in a relatively independent Civil Service Commission and on the disposition of responsibility for advising the Prime Minister on senior appointments.



Robert Armstrong

*(drafted by Sir R. Armstrong
and signed on his behalf)*

31st October 1980