

Prime Minister

Would you like to proceed as at X?

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

CSD say they want to study the MOD proposals at official level. Han told them that PM will want to see their conclusions. Han also told Hunt.

I have warned Lord Soames' private secretary informally that you may wish to intervene.

The Civil Service - Reductions and Efficiency

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14/6

Fraser

You will have seen a copy of the Secretary of State for Defence's letter of 11th June to the Lord President under this title. It raises a number of detailed points, mainly about the management of the Civil Service, which are for the CSD to answer. It also raises, by implication, an important point about the future organisation of central government.

2. The detailed points, 15 in all, amount to a plea for autonomy by the Ministry of Defence. MOD alone accounts for almost a quarter of the non-industrial Civil Service, and a bigger proportion still if industrials are taken into account. Obviously its views carry great weight. The CSD will no doubt deploy the counter-arguments. There are some very good ones in particular cases. But the over-riding point is that (as Mr. Pym recognises) the Civil Service unions negotiate centrally, and the Government has to organise a co-ordinated response. There is always a danger that if Departments break ranks, the unions will exploit their differences. The result is 'leapfrogging'. The risk may be exaggerated, but it is there. It must be weighed separately against each of the proposals Mr. Pym makes.

3. However, the CSD tends to overplay its hand. My guess is that if he accepts departmental advice, Lord Soames' reply will be too defensive. To guard against this, you may like to deal with Mr. Pym's letter yourself - as indeed you are entitled to do, in your capacity as Minister for the Civil Service. The way to do this, without causing unnecessary offence, is to ask Lord Soames to let you see Sir Ian Bancroft's advice before he replies to Mr. Pym. You could offer to discuss with them both first: and I could have a chance to comment to you.

4. This leads me to the second, and wider, issue raised by Mr. Pym's letter. It concerns the machinery of central government. You rightly decided at the beginning of this Administration not to make any changes at the

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centre, at least for the time being. At some stage you may want to review this decision. The views expressed in Mr. Pym's letter are not only those of his own advisers (though his own Permanent Secretary, who himself served in the CSD for some years, is a vocal critic of present Civil Service management). I believe they are quite widely shared among other Permanent Secretaries. It is perhaps too soon for incoming Ministers to have formed their own views. But there has been an undercurrent of criticism among politicians of both Parties for some time. It found expression in the Expenditure Committee's report in 1976. (The 'English Committee' report, HC 535 of 1976-77.) The Select Committee recommended that "responsibility for efficiency and control of expenditure should be vested in a single, central Department". (Paragraph 81).

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5. In fact there are several options. In my own evidence to the Select Committee I listed three: "The first option was 'to put the Treasury public expenditure divisions into the CSD/ in a Department of Expenditure and manpower control... leaving the Treasury as Ministry of Finance'. The second option was 'to put the CSD management services back into the Treasury, to brigade these with the people on the public expenditure side concerned with efficiency', leaving the CSD responsible for personnel, appointments and recruitment. Thirdly, there was 'the status quo, but to make it work better'. (Paragraph 72). Circumstances have changed since the English Report (which was in any case misconceived in some respects), but I still believe that some changes are needed. I should very much welcome the chance to submit some thoughts to you in due course.

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On xx, I will say - if you agree -
but you would be glad to have
John Hunt's views?

John

John Hunt

You please etc.

14th June 1979