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cc Mr Wiggwils (G.M.T) J.K.  
Mr Buckley (hd. Pres).  
Sir Douglas Wass 5  
Sir Robert Armstrong  
Sir Derek Rayner.

10 DOWNING STREET

Govt Mach

From the Principal Private Secretary

BF 1.12.80

SIR IAN BANCROFT

BF 30.11.80  
Sunday!

The Organisation of the Central Departments

Since the meeting which the Prime Minister held yesterday with the Chancellor of the Exchequer, the Lord President of the Council, you, Sir Douglas Wass, Sir Robert Armstrong and Sir Derek Rayner to discuss the papers on the organisation of the central departments which you submitted on 1 and 4 July, she has been reflecting further on the proposal to merge the Treasury and the central elements of the CSD. She has come to the conclusion that the work that has been done so far does not demonstrate convincingly that the balance of benefits and disadvantages is clearly in favour of a merger. She feels therefore that a more detailed study of the pros and cons is needed before even a decision in principle can be taken.

Subject to the views of the Chancellor of the Exchequer and the Lord President, the Prime Minister would accordingly like to proceed in the following way. As agreed at yesterday's meeting, no overt step should be taken until we have the report of the Treasury and Civil Service Select Committee on the question of the organisation of the central departments, which it is thought should be available on 5 August. Immediately thereafter the Prime Minister would like to announce that a feasibility study is to be undertaken to determine the merits and disadvantages of a merger. This exercise would have to go as far into the question of the integration of Treasury and CSD functions at working level as would be necessary to demonstrate the soundness or otherwise of the proposed merger. It would also need to produce estimates of the costs of the merger and of the staff savings. Only when the results of the study are available, would Ministers decide whether to go ahead with integration or not. The study should be completed by 30 November, so that if Ministers decide to merge the two departments, the necessary physical measures can be taken during the Christmas recess.

Whether a project team of the kind discussed at yesterday's meeting would be needed for the feasibility study is something on which the Prime Minister would be grateful for your advice and that of your colleagues who took part in the preparation of the earlier reports. If your view is that a team is required, the Prime Minister

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SECRET

SECRET

- 2 -

would be content for its members to be earmarked quickly and, once the decision had been taken to set it up, to be briefed and to set in hand such initial work as is possible prior to an announcement. She would wish this to be done in a way which avoided the risk of a premature leak.

I should be grateful if you could arrange for the drafting of an announcement, as well as the establishment of the team to carry out the feasibility study.

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

C. A. WHITMORE

24 July 1980

SECRET