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Prime Minister.

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

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

...

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

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

MAD 16/X.

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

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

IBB

IAN BANCROFT
16 October 1981

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PERSONAL

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

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

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

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

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

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

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will begin to function on that date.

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

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

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NOTES FOR SUPPLEMENTARIES

Q1 WHY NOT JUST MERGE CSD AND THE TREASURY?

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

Q2 WHY MAKE THE CHANGE NOW?

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

Q3 HOW MUCH WILL THE RE-ORGANIZATION COST?

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

Q4 HOW MUCH WILL THE RE-ORGANIZATION SAVE?

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

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

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

Q6 WHAT WILL BE THE ROLE OF SIR DEREK RAYNER?

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

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

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

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

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

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

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

REORGANIZATION OF THE CENTRAL DEPARTMENTS : ALLOCATION
OF FUNCTIONS

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

OFFICE OF MANAGEMENT AND PERSONNEL (OMP)

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

Permanent Secretary - Sir Robert Armstrong KCB CVO

Second Permanent Secretary - Mr John Cassels CB

Functions

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

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

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

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

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

FUNCTIONS TO BE TRANSFERRED TO THE TREASURY

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

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

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

10 Downing Street
London SW1
October 1981