

Prime Minister.

4A

You decided yesterday that, because of the problem with the Lords which is mentioned below, you could not make the proposed announcement in your speech next Wednesday but would have to do it by means of a statement in the week beginning 9 November.

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

AMW

30.10.71.

On 16 October I sent you drafts of a Parliamentary statement and notes for supplementaries about the reallocation of the CSD's functions. There has been the opportunity since then to discuss the drafts with Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass and we have reached broad agreement on the enclosed revised version. Also enclosed are drafts of a Note for the Commons and Lords Library and of a minute from you to your colleagues giving them advance notice of your decision.

2. As you know, we believe that the sooner your decision can be announced the better. Although we had been working towards an announcement during the week beginning 9 November, I understand that you may wish to make the announcement during your speech on the Address on 4 November, which would have the advantage of being earlier. On the other hand, you will wish to consider how easily it would fit into your speech, and the difficulty which may arise in the House of Lords where presumably a parallel statement would need to be made on what is usually a very formal occasion. If you decide to make the announcement on 4 November we can complete all the necessary preparations provided we know by first thing on the morning of Monday, 2 November that you are content with the drafts.

3. There is only one explanation I need offer on the drafts. In law, the CSD will continue as the department responsible for assisting you with your Minister for the Civil Service manpower and pay responsibilities until the Transfer of Functions Order comes into effect. There could be legal difficulties, therefore, if decisions on these matters were to come from Treasury officials during the interim period. And it would be confusing for everyone if the Office of Management and Personnel (OMP) began life before the "rump" of the CSD had been transferred to the Treasury. For this reason, we recommend that the CSD should disappear and OMP begin life when the Order comes into effect a few weeks after the announcement.

4. I am sending copies of this minute and the enclosure to the Chancellor of the Exchequer, the Chancellor of the Duchy, and to Sir Robert Armstrong, Sir Derek Rayner and Sir Douglas Wass.

JRB

IAN BANCROFT
28 October 1981

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Draft of 28th October 1981

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

With permission, Mr Speaker, I should like to make a statement on the organisation of the central Departments.

2. We have made a good deal of progress in the last two and a half years in controlling the cost and size of the Civil Service and in improving its efficiency. But I believe that the time has come when some organisational changes will help us to make sure that this progress is maintained.

3. Setting up the Civil Service Department thirteen years ago had a number of advantages as compared with the situation as it existed before; but it had one consequence whose disadvantages have become increasingly apparent over time: it divorced central responsibility for the control of manpower from responsibility for the control of Government expenditure. I judge that the balance of advantage now lies in favour of consolidating the CSD's manpower control responsibilities with the central direction of resource control.

4. I therefore propose to reunify responsibility for the central allocation and control of all resources, and to make the Treasury responsible for control over Civil Service manpower, pay, superannuation, allowances and for the Central Computer and Telecommunications Agency. My Hon

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the member for Halifax

Friend ~~X~~ [^] ~~X~~ will be appointed as a 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.

My hon friend the member for Knaresborough, who is currently a Minister of State in the Treasury, will continue the duties of the Secretary in the Treasury.

5. I now turn to the Civil Service Department's other responsibilities. It remains my view 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 its efficiency in carrying out its functions should have as much attention and priority as the control of public expenditure. The machinery of Government should make special provision for this, since it is a subject in which any Prime Minister is bound to take a close personal interest. I have decided, therefore,

at P.M.

that ~~I~~ ^{and} should continue to be Minister for the Civil Service. ~~I shall~~ ^{and} be responsible for the organisation, management and overall efficiency of the Home Civil Service and for policy on recruitment, training and other personnel management matters. ~~I am glad to be able to tell the House that~~ ^{the Chair of the Party will on the} ~~assist me in the day-to-day discharge of these responsibilities.~~

*note
my ~~return~~ friend the
Chairman of the
Duty of Ministers
etc, is at present,
discharge these
responsibilities on
a day-to-day basis.
He will also answer
in another place
for the whole range
of Civil Service matters.*

was held
6. The staff ~~who assist me~~ will work alongside the Cabinet Office in a new Office of Management and Personnel. ^{Office} Sir Robert Armstrong will be Permanent Secretary of this Office and will also continue as the 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.

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7. An Order in Council will be necessary to transfer the responsibilities for Civil Service manpower and remuneration to the Treasury. The Order will be laid before Parliament shortly. In preparation for its coming into effect the new arrangements will be introduced administratively from ¹⁶ [9] November. During the interim period, the Chancellor of the Exchequer will have charge on my behalf of the functions to be transferred to the Treasury. When the Order comes into effect, the new ~~Office~~ of Management and Personnel ^{Office} will be formally set up and the manpower and other functions will be legally vested in the Treasury. Thereafter, there will not be a department known as the Civil Service Department.

8. There will be some staff savings as a result of the new arrangements.

Take in (X)

9. 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, both of whom were due to retire by the end of next year, have accepted that these changes mean their departure from the public service some months early, and will accordingly be retiring ~~at the end of this week~~. On Sir Ian's retirement, Sir Robert Armstrong and Sir Douglas Wass, the Permanent Secretary to the Treasury, will become Joint Heads of the Home Civil Service.

*I am frustrated
to find that when
we go to the Treasury
and discuss the
details of the
proposals to the Treasury*

Shan place

10. ^{Shan place} Copies of a note setting out the distribution of functions between the Treasury and the ~~Office~~ of Management and Personnel ^{Office} have been placed in the Library.

NOTES FOR SUPPLEMENTARIES

Q1 WHY NOT JUST MERGE CSD AND THE TREASURY?

(X) → 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 organisation 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.

Review by
Chancellor's
desk.

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 REORGANISATION 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~~^{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.

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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 retire-
ment. But should they wish to take up positions in the
private sector, the normal rules about business appoint-
ments for former senior civil servants will, of course,
apply.

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Draft of 28 October 1981

NOTE FOR THE LIBRARY

REORGANISATION OF THE CENTRAL DEPARTMENTS :
ALLOCATION OF FUNCTIONS

This note sets out what are to be the functions of the new Office of Management and Personnel and which functions are to be transferred to the Treasury from the Minister for the Civil Service, as indicated by the Prime Minister ~~in~~¹² her statement ~~on~~¹² ~~14~~ November 1981~~3~~.

OFFICE OF MANAGEMENT AND PERSONNEL ^{MPO} (~~OMP~~)

Ministers - The Rt Hon Margaret Thatcher MP*
Minister for the Civil Service

- assisted by ^{the Rt Hon Barbara Young} ~~the~~ ^{Chairman of the Body} ~~of~~ ^{of} ~~the~~ ~~body~~

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; 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; classification; recruitment policy and training, including the Civil Service College;

* On ^{MPO} ~~OMP~~ business in the ^{House of} Commons, the Prime Minister will be assisted by ~~the~~ ^{Mr Barry Hayhoe} ~~the~~ ^{Minister of} ~~the~~ ^{State, Treasury} ~~body~~.

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Civil Service conduct and security; and acceptance of business appointments by former senior civil servants and others;

(c) the Public Appointments Unit, the Machinery of Government Division, the Civil Service Medical Adviser, the Ceremonial Branch 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.

The Chancellor of the Duchy of Lancaster will answer in the House of Lords on the whole range of Civil Service matters.

FUNCTIONS TO BE TRANSFERRED TO THE TREASURY

Responsibility for the following functions and organisations 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 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 Organisation; and the Chessington Computer Centre (which provides services for a number of departments).

The responsibilities of the Minister for the Civil Service in respect of HM Stationery Office, the Central Office of Information and the Government Actuary's Department will be transferred to the Chancellor of the Exchequer.

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Mr Barney Hayhoe, MP
X } will be appointed as an
additional Minister of State in the Treasury
to help in the discharge of these responsibilities.
He will answer in the ^{House of} Commons for the whole range of
Civil Service matters.

10 Downing Street
London SW1
November 1981

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DRAFT of 28 October 1981

DRAFT MINUTE FROM THE PRIME MINISTER TO THE HOME SECRETARY

*Draft Speech N/A for use Prime Minister's use ~~with~~ or
checked in Treasury 12 Nov 1981.*

THE REORGANISATION OF THE CENTRAL DEPARTMENTS

*in a statement
in the House
this afternoon
that I have
decided*

1. ~~During my speech on the Address this after-~~
noon, I shall be announcing ~~my decision~~ to
reorganise the work of the central departments.

2. I believe we must unify our arrangements
for the central allocation and control of all
resources. So I am transferring my responsibilities
for Civil Service manpower, pay, pensions and
allowances to the Treasury.

3. Equally, however, we must maintain the
priority we have given to improving Civil Service
efficiency and I want to continue to be personally
associated with this work. So I shall remain
Minister for the Civil Service and retain my
responsibilities for the organisation, management
and overall efficiency of the Service and for policy
on recruitment, training and other personnel manage-
ment matters.

4. When the Order in Council required to transfer
the functions to the Treasury comes into effect,
there will no longer be a department known as the
Civil Service Department. I shall be assisted by a
new Office of Management and Personnel. This Office
will work closely with the Cabinet Office as well as
the Treasury. It will be headed by Sir Robert Armstrong,

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(who will continue as Secretary of the Cabinet and head of the Cabinet Office) with Mr John Cassels as Second Permanent Secretary. The rest of the CSD will become part of the Treasury.

5. The new Ministerial arrangements will be introduced on ~~1~~ Monday, ¹⁶/~~9~~ November~~7~~. The Chancellor of the Exchequer will deal with all Civil Service manpower, pay, pensions and related matters on my behalf between then and the day the Transfer of Functions Order comes into effect. He will be assisted by ~~[Benney Hughes]~~, who will be an additional Minister of State in the Treasury. *Benney Hughes will answer on the whole range of Civil Service questions in the Commons.*

6. On all the responsibilities I shall be retaining as Minister for the Civil Service ~~[the Chancellor of the Exchequer]~~ *[the Chancellor of the Exchequer]* will assist me, *and she will answer on all Civil Service matters in the House of Lords.*

7. Sir Ian Bancroft and Sir John Herbecq, both of whom were due to retire by the end of next year, will be retiring ~~at the end of this week~~ as a consequence of these changes. On Sir Ian's departure, Sir Robert Armstrong and Sir Douglas Wass will become Joint Heads of the Home Civil Service.

8. I enclose a copy of the statement I shall be making this afternoon. Sir Ian Bancroft is writing to the Permanent Heads of Departments to inform them of the changes.

9. Copies of this minute go to the other members of Cabinet, to the Paymaster General, the Law Officers and to Sir Robert Armstrong.

*P There will be a lot to be done to give effect to the new
new organisational structure. One ~~important~~ ² area where it will be
necessary to make change is in departments' administration. It will
be for the necessary transfer from the various staff or former
in the CSD will need to be **SECRET**
be broken as near as possible to the Treasury and the Cabinet Office. I
am sure colleagues will be helped in this.*