

FILE

PERSONAL AND CONFIDENTIAL

R H

SUBJECT



Goff
Mach

cc:- Sir D Wass
Sir R Armstrong
Sir D Rayner

10 DOWNING STREET

From the Principal Private Secretary

18 September, 1981

The Central Departments

The Prime Minister held a meeting with the Chancellor of the Exchequer this afternoon to discuss the future of the Civil Service Department. Douglas Wass, Robert Armstrong and Derek Rayner were also present.

The Prime Minister said that although she had decided when the future of the CSD had last been considered that the department should remain as it was, she had now come to the conclusion, in the light of experience over the last few months, that the time was ripe to abolish the CSD and to distribute its central functions to the Treasury and the Cabinet Office. In particular she thought that responsibility for pay and manpower should be transferred to the Treasury and that the CSD's work on efficiency should be incorporated in Sir Derek Rayner's unit in the Cabinet Office. This left a number of other functions, like the Civil Service Commission and the Central Computer and Telecommunications Agency, for which a suitable resting place would have to be found. She hoped that the change could be made in all its essentials by Christmas, although she recognised that in some respects the consequences of the change would take longer to work through: getting staff in the right accommodation was a case in point.

The Chancellor of the Exchequer said that he agreed with the Prime Minister's decision in principle to abolish the CSD and to redistribute its responsibilities. He thought that the additional work which would come to the Treasury would require an extra Minister, at least initially.

In discussion it was pointed out that it was already possible to see where some of the CSD's functions apart from pay, manpower and efficiency should go. For example, it made sense for responsibility for conditions of service to be transferred with pay and manpower to the Treasury. The same was true of pensions. Machinery of Government matters, on the other hand, should go to the Cabinet Office. But in other areas it was not clear how the CSD's responsibilities should be re-allocated. A quick exercise based on the earlier Hawtin/Moore study was needed to make recommendations on the redistribution of responsibilities. But before this work, which would need to be kept confidential, could be put in hand, the Chancellor of the Duchy of Lancaster and Ian Bancroft would need to be brought into the picture.

/In further

5/7/81

PERSONAL AND CONFIDENTIAL

- 2 -

In further discussion it was pointed out that the staff side would be hostile to the abolition of the CSD and to the split of its functions between the Treasury and the Cabinet Office. The new arrangements would mean that they no longer had one single Minister to deal with. But since this was a machinery of Government matter, there could be no question of consulting them. Rather it was a matter of informing them just before the decision was announced. Similarly, Mr Edward du Cann, the Chairman of the Treasury and Civil Service Select Committee, should be told of the decision immediately before it was announced.

The Prime Minister, summing up the discussion, said that she would see Lady Young and, separately, Ian Bancroft the following week. This would pave the way for a study by Michael Hawtin, Julian Moore and Clive Priestley on how all the CSD's present functions should be re-allocated. The study should be completed in time for her return from Australia on 9 October. She would aim to make an announcement later in October. She accepted that the Treasury would probably need to be strengthened by an additional Minister, at least in the first instance. BF

I am sending copies of this letter to Douglas Wass, Robert Armstrong and Derek Rayner. I need not emphasize its sensitivity and I am sure that you and they will handle it accordingly.

BA WHITMORE

J Kerr, Esq
HM Treasury