

CONFIDENTIAL

PRIME MINISTER

MS

The Central Departments

As agreed at your meeting with the Chancellor of the Exchequer last Friday I saw Sir Ian Bancroft this afternoon to prepare the way for the meeting that you propose to have with him to let him know of your decision to abolish the CSD.

I told him that after a good deal of thought you had come to the conclusion, in the light of experience over the last few months, that it would now be right to wind up the CSD and to distribute its central functions to the Treasury and the Cabinet Office. In particular you had in mind to transfer responsibility for pay and manpower to the Treasury and to incorporate the CSD's responsibilities for efficiency in Sir Derek Rayner's unit. You recognised that this left a number of other functions whose destination was not yet clear. You therefore wanted a quick study done by the CSD, Treasury and Sir Derek Rayner's unit, drawing on the earlier Hawtin/Moore exercise, with a view to recommendations on the detailed split of responsibilities being ready for you on your return from Australia on 9 October. This study would have to be done on a confidential and restricted basis since you did not intend to announce your decision to abolish the CSD until later in October. Your aim was to have the transfer of functions completed in all its essentials by the Christmas Recess.

I went on to say that you were very conscious that your decision had direct and immediate implications for Sir Ian's personal position and that you were anxious, so far as possible, to accommodate his wishes about his own future in the new arrangements. You would want to discuss this with him before you left for Australia. I added that thereafter you would wish to see Lady Young and him together to let her know what you had decided. I mentioned that you had already spoken to the Chancellor of the Exchequer who agreed with what you propose to do. Sir Robert Armstrong and Sir Douglas Wass were also in the picture.

All this came as a complete surprise to Sir Ian Bancroft: he

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had clearly had no inkling of the way your mind was moving. He was certainly shaken by the news but he took it very well. He said that he thought that the Civil Service as a whole would not understand why the change was being made and he feared that there might be a strong reaction against it, particularly in the wake of the Civil Service pay dispute. He also wondered how we would explain the rapid reversal of the earlier decision to retain the CSD. After his general response to what I had had to say, however, he quickly started to think about the problems of splitting the CSD's functions which the study would have to tackle. As you would expect, he showed every sign of being ready to co-operate in carrying through your decision.

As regards his own position, Sir Ian Bancroft said that he recognised that one possible outcome of the abolition of the CSD would be his own premature retirement. I repeated that on this you wanted to be as helpful as you could in meeting his own wishes.

He said that he was very grateful to you for giving him advance warning of what you would have to say to him when he came to see you. "It was a very big pill to swallow and digest" and he would like a clear day to order his mind on both the official and personal implications of your decision. I thought that this was a reasonable request and I have therefore asked him to come and see you at 0945 on Thursday morning. I hope to arrange for Lady Young and him to come at 1430 on Thursday.

JAW.

22 September 1981

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