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RECORD OF A MEETING ON THE MACHINERY OF GOVERNMENT AT THE CENTRE
HELD AT 10 DOWNING STREET AT 1515 HOURS on WEDNESDAY 23 JULY 1980

Present:

Prime Minister
Chancellor of the Exchequer
Lord President of the Council
Sir Derek Rayner
Sir Ian Bancroft
Sir Douglas Wass
Sir Robert Armstrong
Mr. C.A. Whitmore
Mr. David Wolfson
Mr. M.A. Pattison

The Prime Minister asked that the meeting should focus on the central question of whether to merge the Treasury and the CSD, and the mechanics of implementing the merger if this was agreed. Most people who had considered these issues appeared to believe that the manpower and expenditure control functions should be put together. She was not interested in a simple decision to bring the existing Treasury and CSD structures alongside one another. The type of merger which she had in mind would release some staff from existing CSD for redeployment to other Departments.

The Lord President pointed out that the staff of the various agencies within the Civil Service Department would continue in their present functions. Sir Ian Bancroft drew attention to paragraph 10 of the report enclosed with his minute of 1 July which defined the core of the CSD and separated this from the functions which would have to be swept up in a common services regime.

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Sir Derek Rayner recommended that the merger should be planned on a gradual basis. It should begin with the joining of the political functions, and this should be followed up by establishing a study team to work on the detail of the merger of the individual functions. His experience at the time of the winding up of the Ministry of Aviation Supply had been that six months careful planning provided the basis for quick and effective integration when the change was implemented. The Prime Minister said that she saw the merger as an opportunity to shed functions which had grown since CSD was carved out of the Treasury. She was concerned that the many young staff of CSD should be found worthwhile jobs: her impressions of CSD had been that many of these lacked worthwhile work there. Sir Ian Bancroft said that CSD numbers had been contracting, especially in the Civil Service College and Commission. The extent of further reductions would depend on which functions could be dropped. Sir Robert Armstrong said that the numbers to be released by the merger would only become clear when the detailed work had been completed.

Sir Douglas Wass noted the much greater effort in management efficiency, training and computer work which had developed since the creation of CSD. Much of this was valuable and would need to be retained. The Prime Minister recognised this, but made it clear that she wanted to see a reduction in the very detailed monitoring of Departments from the centre, which she characterised as 'graph-paper management'. Sir Ian Bancroft said that the Treasury style of managing expenditure had recently shifted away from dealing with the micro but while the Treasury could concentrate on the macro, the nature of current manpower restraint exercises required the CSD to work at the micro level.

The Chancellor said that he was no expert on the detailed implications of the merger. If the Treasury had not been split nobody would advocate such a move now. The central Departments had not managed to permeate other Departments with the approach to financial and manpower efficiency which Ministers wished to see in Government. These functions logically belonged together,

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although the future of the CSD out-stations was a less urgent matter. He accepted the gradualist approach. His major concern was that the resulting workload at Chief Secretary level would be much greater than the post had traditionally carried. Sir Derek Rayner saw the merger as an opportunity to push back some of the central work to Departments. This would require central confidence in the key posts, especially PEO and PFO appointments. There had already been recent improvements in this area.

Sir Ian Bancroft reminded the meeting that he had made clear his personal preference for a much improved status quo. He asked the Prime Minister not to underestimate the disbenefits of change, especially taking account of the particularly heavy workload which both Treasury and CSD could expect in the coming winter. But if the merger was to go ahead, he agreed with Sir Derek Rayner's proposal for a quick unification at Ministerial level with other changes to follow gradually.

The Prime Minister asked about the optimum timing for any change. Sir Douglas Wass suggested that there should ideally be six months to prepare a blueprint for all changes, then implementation within a week. The ideal time for implementation would be a summer recess. A step by step process was likely to lead to 12 messy months. The Prime Minister said that she was not prepared to leave the process through to the 1981 summer recess. Sir Derek Rayner said that a clear public commitment was necessary which would provide the basis for a strong effort by a well-chosen team.

After considerable further discussion about timing in relation to workloads, and personality issues which might affect the decision, the Prime Minister expressed some doubts as to whether the merger would be worth the dislocation it might cost and as to whether it would offer economies in staffing, and in Ministerial posts, to the extent which she had hoped to find possible. It was arguable that the form of central control which she was advised to seek by this merger should be provided

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by the right selection of senior staff in Departments. She was nevertheless prepared to announce a decision in principle once she had seen the report of the Select Committee on the Treasury and the Civil Service. This was apparently scheduled for 5 August and she would therefore be prepared to make an announcement before the summer recess. This would cover the political unification of the Departments, with detailed work to be completed by 30 November, allowing the new organisation to be put into effect during the Christmas recess. She would still wish to preserve the option of aborting the whole merger if the detailed work suggested much greater costs and dislocation than were at present anticipated. She would therefore wish to have a draft announcement prepared. While this was being done, Sir Ian Bancroft and Sir Douglas Wass should identify the members of the project team who would do the detailed work and should arrange for them to undertake such pre-announcement preparation as they could manage without running the risk of a leak. She would also wish to be assured that the changes were not likely to lead to redundancies at the end of this year.

The Prime Minister raised briefly Sir Derek Rayner's proposal for an Inspector General. She had not been enthusiastic about this but Sir Derek was pressing it hard. Sir Derek Rayner said that the real purpose of the idea was to continue his own role when he began to take a back seat towards the end of the year. In due course reorganisation ought to make this unnecessary, but the function would need to be continued for the present. The Chancellor said that it was most important that Sir Derek Rayner's efforts to reinvent himself should be successful: the title and organisational details were less important. Sir Douglas Wass said that he was concerned about efforts to secure greater efficiency in this way. The stimulant should be provided by the centre.

In a brief discussion of the rank needed for an individual to carry out the type of function envisaged, Sir Derek Rayner and Sir Robert Armstrong commented that it would need to be performed at a higher level than that of Under Secretary.

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