

CONFIDENTIAL

Meeting postponed - please BF
when new date arranged.

cc for information

Sir Derek Rayner o/r
Mr Wolfson

Mr LANKESTER

PRIME MINISTER'S MEETING WITH MR WYATT AND MR CHAPMAN

I attach a background note. Important parts are side- or underlined. This minute sets the scene and offers advice.

2. Sir Derek Rayner's submission to the Prime Minister of 30 August (now endorsed by the Chancellor of the Exchequer in his minute of 10 September) is relevant.

Ministerial references to Mr Chapman since 3 May

3. Sir Keith Joseph mentioned Mr Chapman to Sir DR soon after the Election. The Prime Minister briefly discussed him with Sir DR on 31 May and subsequently mentioned him again on 16 July.

4. Mr Wyatt asked Lord Soames in July if he might bring Mr Chapman to meet him. Lord Soames replied in August, saying that he would prefer to leave things on the basis of the exchanges between Mr Chapman and Sir Derek Rayner (see below); the latter had had several willing offers from outsiders, but did not envisage bringing in anyone yet; in the meantime, Lord Soames did not wish to seem to favour any of those with whom Sir DR was in contact.

Sir Derek Rayner and Mr Chapman

5. Sir DR has taken these references very seriously. He saw Mr Chapman on 30 May. Details are given in the note.

6. The outcome was that Mr Chapman refused an invitation to address the "young Turks" carrying out the departmental projects commissioned by the Prime Minister on the grounds that the Government's and Sir DR's approach is inadequate and, by implication, that he himself should be offered not a speaking engagement but a substantial personal assignment. Sir DR has not ruled out the possibility of inviting Mr Chapman to help him when the work the "young Turks" are doing, now nearly complete, shows what needs doing by way of follow-up action. (Incidentally, because of the seriousness with which Sir DR has taken Mr Chapman's book and Ministerial references to him, the work now in hand includes three projects in the Property Services Agency, on the management of the civil estate, on maintenance economy and on energy conservation. Sir DR expects these to give him an insight into how Mr Chapman's old Department is working now.)

7. Sir DR has found Mr Chapman a mixed blessing, intellectually and personally. These are the main points:

a. He endorses Mr Chapman's "maintenance economy review" technique. His own projects are similar in some important

respects. He sympathises with much of Mr Chapman's analysis. He has given a copy of his book to the "young Turks". But Sir DR does not follow him to the book's conclusion that the responsibility of Ministers and officials for examining work should in effect be transferred to a reformed Exchequer and Audit Department (the "New Audit Department").

b. He shares Mr Chapman's belief that the best savings are achieved after careful review, but not his belief in a large "private army" to review all expenditures (see paragraph 8 of the background note). His submission of 30 August argues that Ministers must learn how to review expenditures themselves and that the central Departments have a crucial part to play on behalf of the PM and Cabinet. He has taken on board the PM's anxiety about how to go after things that worry her and he will want to discuss with her the use of her own Departments, including this unit and the CSD, for this purpose. (As he commented in his submission of 3 July, Sir DR believes that the PM's own Department, the CSD, is a potentially powerful instrument. But it needs leadership from the top. In its ten years it has lacked a strong inspiration from succeeding PMs and is not unlike those Ephesian disciples encountered by St Paul who had "not so much as heard whether there be any Holy Ghost" (Acts,19,2).)

c. Sir DR is not sure that Mr Chapman's account of what happened in MPBW/PSA is trustworthy. Although his ideas were far from being exploited as they should have been, Sir DR thinks that he was not the only right minded person in the Department and that his book gives too little credit to others.

d. For his own taste, Mr Chapman is somewhat too publicity conscious.

Advice

8. The PM will wish to invite Mr Chapman to give his views and suggestions on how to promote efficiency in and eliminate waste from central (and local) government operations.

9. I recommend that the Prime Minister should not hint at or offer employment at this stage.

10. This is because she has employed Sir DR to advise her and carry out assignments on her behalf. He has in hand a lot of work commissioned by her into which he has put much determined but quiet effort. He awaits her response to his submission of 30 August. While he might be able and willing to offer Mr Chapman an assignment this Autumn, he would want to discuss with the PM first any question of extending his staff in such a way.

CP
C PRIESTLEY
12 September 1979

BACKGROUND NOTE FOR PRIME MINISTER'S MEETING WITH MR WYATT AND
MR CHAPMAN, 13 SEPTEMBER 1979

Mr Leslie Chapman joined the then Office of Works, now the Property Services Agency, as an Executive Officer in 1939. After war service (invalided out, 1945) he returned to the Ministry of Works. In 1967 in his 48th year he was promoted Assistant Secretary as Director of the Southern Region, covering Hampshire, Berkshire, Buckinghamshire, Dorset and Oxfordshire. He retired early at his own request on 1 January 1974. His book Your Disobedient Servant was published last year and paperbacked this year. He receives no payment for it. He has since been employed in a consulting capacity by London Transport and, I believe, by a few local authorities. He is seen by the press and TV as the man who blew the whistle on Civil Service prodigality and accordingly as its Bête Noire. He is 60 this year.

The Chapman thesis

2. Mr Chapman derived a general theory for attacking extravagance and inefficiency from his "maintenance economy reviews" in Southern Region and from what he saw, first, as the determined unwillingness of his senior colleagues to accept his ideas for general application and, secondly, as a malign combination of the transience of Ministers, of the inability or reluctance of the central departments to get to grips with spending departments and of the weakness of Parliament in controlling the Executive.

3. The theory starts with the basic question, also underlying Sir Derek Rayner's philosophy, whether the product of administration is worth having at all or at the price paid for it. The attack he recommends would require a strong lead from Ministers and Parliament but because Ministers are weak and Civil Servants not to be trusted, its main instruments would not belong to the Executive. Instead, there would be, first, a "New Audit Department" (vice the Exchequer and Audit Department), which would take over the staffing and inspection functions of the CSD and which would investigate departments and, secondly, a revamped Public Accounts Committee. The PAC would not question Accounting Officers itself. Once presented with the findings of the New Audit Department, it would "fracture the defensive screen that surrounds the spending departments" by employing lawyers, accountants and management consultants as inquisitors.

4. The theory offers a selection of targets for early attack; the length and size of the Civil Service hierarchy, the "country house" syndrome, storage establishments, scientific and research establishments, the collection of statistics, the use of cars, foreign travel, the Diplomatic Service and services to export. (Several of these are already covered by the Rayner project or by the CSD's functional reviews, on which Sir DR comments in his submission of 30 August.)

Rayner and Chapman

5. Sir DR had read YDS before he was appointed. He has also given all the Rayner project officials (the "young Turks") a copy. He invited Mr Chapman to see him and they met on 30 May, when the conversation was dominated by questions of detail about Mr Chapman's account of his experiences in MPBW/PSA (see below). This plainly disappointed Mr Chapman.

6. Sir DR raised the question whether Mr Chapman would be willing to help him in some way, although he could not then say exactly how. Mr Chapman said that he was not interested in sitting on the sidelines, for example on a committee, and he did not give the impression that he would be interested in any assignment forming a subordinate part of Sir DR's project. It was left that Sir DR would be in touch later.

7. On 31 May the PM asked Sir DR whether he would like to use Mr Chapman. His reply was in effect that he would not, as he could not fathom quite what had happened in MPBW, he thought Mr Chapman inclined to give insufficient credit to others and he disliked the accusatory style of the remedies (see para. 3 above).

8. On 8 June, Mr Chapman said in an interview on BBC2's Westminster programme that what the Chancellor was doing on public expenditure had almost nothing to do with cutting out waste. (He is not a believer in "arbitrary" cuts any way.) What was needed was time and energy for a thorough review of all Government expenditure. This would take 2/4 years and the time of 200-400 staff. The interviewer concluded: "Although Mr Chapman has had talks with the new Government, he does not want to find himself back in the Civil Service fighting the old battle. He would be much keener if there was a chance of forming something like a private army, a special cost-cutting unit. But for him the war will continue, whether he is outside Government or inside."

9. Once the Rayner projects were on the stocks, Sir DR invited Mr Chapman to address his officials. Mr Chapman refused on the grounds that the Government's whole approach to efficiency/waste was inadequate and that he himself had a wider audience to consider. Even so, he left the door open for the offer of a specific assignment. Sir DR then wrote to him suggesting that things be left on the footing that they were after the same ends but that Mr Chapman preferred his independence. Mr Chapman replied repeating the inadequacy point and implying that the use to be made of himself must be greater than "one address". Sir DR's answer (2 August) left open the question of future employment, saying that some major tasks would probably emerge in the Autumn; it added in a post-script that the story enfolded in YDS was likely to be found elsewhere in Whitehall.

10. Sir DR likes much of the Chapman approach. Similar ideas about radical investigation leading to action have been developed in his submissions to and talks with the PM, especially his minutes of 30 August. He is far from ruling out the idea of using Mr Chapman in some way, but he has important reservations.

11. First, Sir DR does not agree with the strongly inquisitorial thrust of the thinking behind the New Audit Department etc. He prefers the ideas that Ministers should develop their capacity to manage and be helped to do so by strong leadership and a strong centre. He sees the PM's department, the CSD, as less a broken reed than a force awaiting a direction from the head of the Executive which it has so far lacked. He will want to discuss this with the PM later.

12. Secondly, Sir DR is not keen on the idea of a large private army, although he sees a need for a small one available to the PM. He touched on this in his submission of 3 July. If Mr Chapman were to be employed, Sir DR would very much prefer this not to be other than as a member of his staff but he would want to consider the proposition very carefully first and alongside the question of other candidates.

13. Thirdly, Sir DR suspects that Mr Chapman's account of his work in MPBW/PSA gave insufficient credit to others with the same ideas. YDS makes no mention of Sir John Cuckney, who was brought in by the last Conservative Government to restructure the PSA, for example. This suspicion was confirmed by a talk Sir DR had last month with Mr Herbert Cruickshank (formerly of Bovis) and Sir Hugh Wilson (architect and town planner, part-time director of PSA 1973-74), both of whom had working associations with PSA early this decade.

14. Mr Cruickshank knew Mr Chapman well, thinks that he did an excellent job as Regional Director, that about 80% of his ideas were good but for the rest he was "a little mad", a real nitpicker and someone who did not know where to stop. Mr Cruickshank thinks that Mr Chapman's ideas were very poorly handled by the then senior management of the PSA, but told Sir DR that he would be horrified at the notion that Mr Chapman should have higher management authority as he had no idea how to manage through others; at meetings of the Regional Directors, for example, his manner to his colleagues was hectoring, accusing and self-congratulatory.

15. It also worries Sir DR that despite Mr Chapman's merits he appears to be a publicity seeker. On his appointment to, I think, the London Transport Board, he allowed himself to be photographed on the way in with an axe over his shoulder. And a week after his visit to Sir DR he was filmed by the BBC going into the Cabinet Office as if to see him. (We agreed to this.) ;

CP
C PRIESTLEY
11 September 1979

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