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SPEAKING NOTE FOR THE PRIME MINISTER'S USE AT CABINET ON
THURSDAY 12 NOVEMBER 1981

THE REORGANISATION OF THE CENTRAL DEPARTMENTS.

I shall be announcing in a statement in the House this afternoon that I have decided to reorganise the work of the central departments.

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.

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 management matters.

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 Management and Personnel Office. This Office will work closely with the Cabinet Office as well as the Treasury. It will be headed by Sir Robert Armstrong (who will continue as secretary of the Cabinet and head of

/ the Cabinet

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the Cabinet Office), with Mr. John Cassels as Second Permanent Secretary. The rest of the CSD will become part of the Treasury.

The new Ministerial arrangements will be introduced on Monday, 16 November. 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 Barney Hayhoe, who will be an additional Minister of State in the Treasury. Barney Hayhoe will answer on the whole range of Civil Service questions in the Commons.

On all the responsibilities I shall be retaining as Minister for the Civil Service, the Chancellor of the Duchy of Lancaster will assist me, and she will answer on all Civil Service matters in the Lords.

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.

There will be a lot to be done to make the new organisation effective. One area which it will be necessary to make changes is in departments' accommodation. If we are to get the maximum benefit from the reorganisation, staff at present in the CSD will need to be located as near as possible to the

Treasury and the Cabinet Office. I am sure that those few colleagues who will be affected will be helpful over this.

Ref. A05964

Grant Mack

MR. WHITMORE

I should like to use the occasion of the reorganisation at the centre, and the addition it will mean to my own responsibilities, to make a change in practice which I have long believed would be sensible in its own right.

2. If the Prime Minister has no objection, I should like to tell Deputy Secretaries in the Cabinet Office in future to submit direct to her, with copies to me, Cabinet Office briefs for items on the agenda for the Ministerial Committee on Economic Strategy (E), that Committee's Sub-Committee on Nationalised Industries (E(NI)), the Ministerial Committee on Defence and Oversea Policy (OD), and the Ministerial Committee on Exports (EX), save where they are asked to submit a draft to me, for consideration and amendment as necessary before it is put up, or they themselves think that it should come through me.

3. I will ask them to submit briefs in time to give me a chance to see the copies and send a supplementary comment if I see a need to do so. This should be no great hardship, since they already have to prepare draft briefs in time for them to be approved by me and typed fair for submission to the Prime Minister.

4. As for requests from No. 10 for advice ad hoc, I should be grateful if you would continue to direct those all to my office; I can then decide whether I wish to submit advice myself, or to ask one of the Deputy Secretaries to do so direct, copy to me.

ROBERT ARMSTRONG

ROBERT ARMSTRONG

12th November, 1981

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Ministerial Statements

Mr. Arthur Lewis (Newham, North-West): On a point of order Mr. Speaker. I have no interest to declare but many hon. Members wish to take part in the business that is to follow. It is, I think, within your prerogative, Mr. Speaker, to suggest to Ministers, including even the Prime Minister, that if they intend to make a statement that will deprive Back Benchers of time in subsequent debates, they should ensure that the statement is not given to the press as happened this morning and in today's midday newspapers. Is it not taking liberties with the House when Ministers come along, as they now do regularly, to make a statement that has already appeared in the press? Would not the best course be for you, Mr. Speaker, to say before questions that you will not allow the statement to be made because you have read it already in the press that day?

Mr. Speaker: I should not like to try on this particular occasion.

Civil Service Department (Transfer of Responsibilities)

3.35 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I should like to make a statement on the organisation of the central Departments.

We have made a good deal of progress in the last two and a half years controlling the cost and size of the Civil Service and in improving its efficiency. The Government are most grateful to the Select Committee on the Treasury and Civil Service for all the valuable work it has done in this area and in particular for its report on the future of the Civil Service Department. I look forward to receiving its recommendations as a result of its current study on improving the efficiency and effectiveness of the Civil Service.

I believe that the time has now come when some organisational changes will help us to make sure that the progress we have already achieved is maintained.

Setting up the Civil Service Department 13 years ago had a number of advantages 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 control of resources.

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. The staff at present concerned with these functions will be transferred to the Treasury.

My hon. Friend the Member for Brentford and Isleworth (Mr. Hayhoe) will be appointed as a Minister of State in the Treasury to help in the discharge of these responsibilities. He will continue to answer in this House for the whole range of Civil Service matters. The duties of the other Ministers of State in the Treasury will remain unchanged, but my hon. Friend the Member for Knutsford (Mr. Bruce-Gardyne) will assume the title of Economic Secretary to the Treasury.

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 efficiency of the Civil Service in carrying out its functions and the selection and development of civil servants are as important to the Government 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 shall therefore continue to be Minister for the Civil Service and to 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. My noble Friend the Chancellor of the Duchy of Lancaster will, as at present, discharge these responsibilities on a day-to-day basis. She will also answer in another place for the whole range of Civil Service matters.

Mr. Anthony Grant: Will my right hon. Friend consider the consequences of the intrusion into Swedish waters of a Soviet submarine, which was clearly established to be there for the purposes of espionage and nuclear warfare? Does not this emphasise the vital importance of unity and co-operation among the countries of the Council of Europe as well as within the EEC? Will she therefore confirm that it remains Britain's policy to support and participate in the Council of Europe?

The Prime Minister: On the last point, it remains Britain's policy to participate in the Council of Europe, which we recognise performs a valuable function and which includes countries that are not members of the EEC such as Sweden. The incident to which my hon. Friend refers highlights the need to be extremely diligent and to keep our defences on the alert.

Mr. Foot: Returning to the question put by my hon. Friend the Member for Blackburn (Mr. Straw), do I take it that the Prime Minister has confirmed the figures that he gave? Does she not find it astonishing that the average family in this country is now paying an extra £12.25 per week in Government-imposed taxation? How does she reconcile that with her election statement that she was determined to build real incentives for all into our tax system?

The Prime Minister: I repeat what I said to the hon. Member for Blackburn (Mr. Straw). The percentage increase in rates and taxes for the average family was approximately the same before the latest supplementary rate demands were issued. On the right hon. Gentleman's specific question, taxation would have been very much higher under a Labour Government. I look forward once again to hearing his proposals for reducing public expenditure. Otherwise, we must conclude that the right hon. Gentleman is giving notice that he would simply print the extra money so that Britain would once again be on the way to the IMF.

Mr. Foot: I am asking the Prime Minister to confirm that under the Conservative Government taxes for the average family have risen by more than £12 per week. Does she think that that is what she told the electorate at the general election?

The Prime Minister: Taxes for the average family have indeed increased. As I have frequently explained to the right hon. Gentleman, if we are to maintain prudent and sound financial policies, we should not finance increases in public spending by printing money, as I believe that the right hon. Gentleman would. At least we have the honesty to finance them properly by taxation.

Mr. Dickens: Will the Prime Minister, in the course of her busy day, find time to consider initiating four or five major capital projects to be financed by the City?

The Prime Minister: If capital projects can be financed by the City, it is naturally at liberty both to finance them and to set them up. The trouble with some of the schemes put to us is that either they require Government guarantee or they are schemes started by monopoly industries that could put up the price sufficiently to finance the borrowing. That would have a very adverse effect on the private sector.

Mr. Price: Can the Prime Minister clear up one discrepancy between her statement about Mr. Leo Long's espionage activities and the statement of the Attorney-General? The right hon. Lady said that there was one other individual to whom inducements had been given and the Attorney-General said that there were a few other individuals. Will the Prime Minister tell the House what are the facts and what number the Attorney-General was referring to in speaking of a few individuals being offered inducements to confess?

The Prime Minister: If the hon. Gentleman looks closely at both statements, he will find that my right hon. and learned Friend the Attorney-General gave the numbers, a few, to whom an informal inducement had been offered. I gave the number—[*Interruption.*] This is extremely important and I am trying very hard to get it right in response to a question from the other side of the House. I am trying to get it accurate. He gave the number of cases, a few, in which informal inducements had been offered. I gave the number from whom a confession had come as the result of an informal inducement. The two are perfectly compatible.

The staff involved in these functions will work alongside the Cabinet Office in a new 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 a second Permanent Secretary, Mr. John Cassels.

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 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. Thereafter, there will not be a Department known as the Civil Service Department. There will be some staff savings as a result of the new arrangements.

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 with characteristic public spirit accepted that these changes mean their departure from the public service some months early. Both have had long and distinguished careers in the public service, and have served the nation with all the devotion and integrity that we expect from our public servants. Sir Ian served successive Chancellors of the Exchequer with conspicuous distinction. He did much to build up the Department of the Environment before becoming head of the Civil Service in 1977. I am sure that the House would wish to join me in this expression of appreciation and gratitude for the many years of distinguished service that both he and Sir John have given to the country. On Sir Ian Bancroft's retirement, Sir Robert Armstrong and Sir Douglas Wass, the permanent secretary to the Treasury, will become joint heads of the Home Civil Service.

Arrangements are in hand to explain to all the staff of the CSD how they will be affected by the reorganisation. Both the Council of Civil Service unions and the trade union representatives of the CSD's staff are today being informed of the details of the new organisation.

I have placed in the Library copies of a note setting out the distribution of functions between the Treasury and the management and Personnel Office.

Mr. Michael Foot (Ebbw Vale): The right hon. Lady has made an important statement that affects both the efficiency of the Civil Service and the welfare of those employed by it. However, it seems to be a volte-face—I shall not use the offensive term “U-term”—compared with the statement that the Prime Minister made a few months ago. I hope that she will provide more information as to why that has occurred. I hope that there will be a debate in the House so that hon. Members will be able to discuss her proposals.

What consultations have taken place with the unions and staff concerned? The Prime Minister said that they were being informed of the proposals today, but have there been proper consultations about the people who work in those Departments? Why does she now reject the advice of the Civil Service associations who have given her and her predecessors advice on these matters? Will the Prime Minister tell the House why she has changed her mind since her statement in January, when she told the House

that she had decided to strengthen and improve the existing Civil Service Department organisation, rather than to merge the two Departments? Has her mind or the Government's mind been in any way affected by the industrial action earlier this year?

Will the Prime Minister give the House an assurance that the new Management and Personnel Office will have all the power and authority of a Department of State? Why does she consider that the diffuse control of the Civil Service will necessarily make it more efficient? Why does she consider that the Treasury has had such brilliant successes in the last few years that extra powers and authority should be transferred to it?

I join the Prime Minister in her tribute to the individuals and high officials whose names she recorded. I knew some of them and I wish them every success. However, the announcement by the Prime Minister of the dizzy promotion of the hon. Member for Knutsford (Mr. Bruce-Gardyne) to the high post of Economic Secretary to the Treasury will cause terror and derision throughout Whitehall.

The Prime Minister: With regard to the right hon. Gentleman's latter point, my hon. Friend the Member for Knutsford (Mr. Bruce-Gardyne) will carry out the same responsibilities that he carried out previously. I am surprised that a change of name makes such a dizzy change in the right hon. Gentleman's reactions.

We are not transferring the whole of the Civil Service Department to the Treasury, simply a particular part of it. Experience has continually shown the disadvantages of divorcing the management and control of expenditure on manpower resources in central Government from the management and control of Government expenditure as a whole. That is why the change is being made. Those sections of the CSD will now be closely in tune and in touch with policy changes on resources and control. The efficiency units in the management and personnel parts of the CSD will now amalgamate with the Rayner unit, which hitherto has been under the office of the Prime Minister. It will become a management and personnel office and will therefore be closer to policy-making in general.

There were not advance consultations with the unions. It is difficult in a matter of the machinery of Government, of which the first formal notice should come to the House, to hold such consultations. We are very sensitive that Parliament should be the first body to be told. That is the way in which to proceed.

Mr. Edward du Cann (Taunton): Does not my right hon. Friend agree that vastly more important than the location or the chain of command of the CSD—or whatever its new name is to be—is that it should continue to be an arbiter of the effectiveness and efficiency of the Civil Service? It is disappointing that that has not always been the case in recent years. It remains the policy of the Government to bring about that desirable state of affairs and to raise the standards of the great Departments of State—which, alas, vary so much—to the standards of the highest. Ministers also have a substantial responsibility for that.

With regard to the point raised by the hon. Member for Newham, North-West (Mr. Lewis), is my right hon. Friend able to shed any light on the leaks in the newspapers this morning? Is it not agreed that it is most offensive to

[Mr. Edward du Cann]

the House that we should read the Government's proposals almost verbatim in the newspapers before we hear them here?

The Prime Minister: I found those reports in the press today as offensive as did my right hon. and hon. Friends. I cannot shed any light on the leak. The first we knew about it was when we received questions from the press late last night. I do not believe that the leak came from my office. I do not know where it came from. I, too, found it as offensive as my right hon. Friend.

I agree with my right hon. Friend that it is important to get the maximum efficiency. That is why we have the Rayner unit in my office, and why Ministers and permanent secretaries are taking a fresh interest in securing the maximum efficiency within their Departments. I hope that the new office will assist in that direction.

Several Hon. Members *rose*—

Mr. Speaker: Order. I have an exceptionally long list of hon. Members who hope to participate in the main debate. I therefore hope that hon. Members will co-operate during questions on the Prime Minister's statement and be as brief as possible, because a Business Statement is to follow before we reach the main business.

Mr. J. Enoch Powell (Down, South): In spite of the length of the intervention by the Leader of the Opposition, is there any necessity or justification for the time of the House to be taken up by a long and detailed statement, including notification of personnel appointments and retirements in the Civil Service, such as that which has been inflicted upon us this afternoon by the Prime Minister?

The Prime Minister: I am not usually accused of making too many statements—rather, too few. If the House does not wish me to make statements on these matters, I shall refrain from doing so in future.

Sir Timothy Kitson (Richmond, Yorks): Will there be any financial savings following the reorganisation and, if so, what will they be?

The Prime Minister: I believe that the main financial savings will accrue eventually from putting the manpower control division in the Treasury. That should lead to very much greater efficiency than we have seen in the past few years.

Mr. Richard Wainwright (Colne Valley): Is the Prime Minister aware that, although she referred in passing to the Select Committee on the Treasury and Civil Service, she omitted any reference to its unanimous report in the previous Session which recommended against the sort of changes that she has announced, but made constructive proposals for improving the CSD? The right hon. Lady also did not controvert, or attempt to controvert, the Committee's statement that manpower is a different sort of resource from others and that managing people calls for special skills, not least the ability to negotiate effectively with trade unions?

The Prime Minister: When we received the Select Committee's report we implemented a number of changes that it recommended. Since then it has become increasingly difficult to operate at greatest efficiency with the control of manpower separate from the control of

expenditure. I am sure that from the point of view of the best allocation of resources we have made the best decision. We look forward to receiving the report on efficiency throughout the Civil Service which I know the Select Committee is engaged upon.

Dr. Jeremy Bray (Motherwell and Wishaw): Will the Prime Minister answer the question of my right hon. Friend the Leader of the Opposition? What has happened since 29 January when she specifically said that she did not wish to merge the CSD with the Treasury because "all concentration would go on reorganisation rather than on dealing with the true problem"—[*Official Report*, 29 January 1981; Vol. 997, c. 1070.]?

Does she not feel that there is a danger of weakening the responsibility of departmental Ministers for the management of their own Departments in this gathering to herself and her office of greater responsibility for management and personnel in the Civil Service?

The Prime Minister: On the hon. Gentleman's latter point, the Prime Minister is the head of the Civil Service and I do not think that he can accuse me of arrogating greater powers to myself. That is not the point at all. On the hon. Gentleman's first question, I said that it has become increasingly difficult to operate separate control of expenditure and control of manpower. I am sure that we have taken the right managerial decision and that now is the best moment to take it.

Mr. Raymond Whitney (Wycombe): May I congratulate my right hon. Friend on the decision to abolish the CSD which, over the past 13 years, has, it is sad to note, made a net negative contribution to the efficiency of the Whitehall machine? Will she assure the House that the Government will take the opportunity of the reorganisation to strengthen the role of the Cabinet Office in the co-ordination, planning and presentation of Government policies?

The Prime Minister: I am grateful to my hon. Friend. It will help many of those engaged on the management and personnel side of the former CSD to be more closely attached to the work of the Cabinet Office, which is a policy-making office. Much of their main work will be in improving efficiency, although, strictly, that falls finally within the sphere of each departmental Minister.

There are many wonderful young people in the Civil Service Department who are anxious to have as much influence as possible on increasing the efficiency of the Civil Service as a whole. I hope that the new arrangements will meet with their approval and that they will enjoy working in their new Departments.

Mr. Stanley Cohen (Leeds, South-East): On a point of order, Mr. Speaker. May I ask for your guidance? I note from our Order Paper that Prime Minister's questions start at 3.15 pm, but is there a limit on how long they should continue? The Leader of the House has to announce next week's business and there is an important debate to follow that. Is there any constitutional rule—

Mr. Speaker: Order. The hon. Gentleman may have overlooked the fact that this is not Prime Minister's Question Time. The Prime Minister has made a statement and at 4 o'clock I shall pass on to the next business.

Mr. John Garrett (Norwich, South): Will the Prime Minister agree that her proposals make no sense in management terms? How can it be right to give

responsibility for pay to the Treasury and responsibility for industrial relations to the Cabinet Office, unless industrial relations now count for nothing? How can it be right to put manpower control in the Treasury and efficiency in the Cabinet Office? Is it not a fact that this has nothing to do with a rational analysis of the functions of Government, but is one of her terrible tantrums over the success of the Civil Service strike?

The Prime Minister: It has been argued that the whole of the CSD should go into the Treasury, but as there was already an efficiency unit in the Prime Minister's office, under Sir Derek Rayner, I felt it best that the other functions of the CSD, apart from those connected with pay, pensions and allowances, should be exercised in relation to the efficiency unit in my office. The unions will deal both with the Management and Personnel Office and with the Treasury, according to the matters involved in the consultations.

I deliberately refrained from putting everything back into the Treasury. I believe that the Civil Service Commission, in dealing with matters of recruitment, will be better if it is kept separate and that the Management and Personnel Office is the best place for that.

Dr. David Owen (Plymouth, Devonport): Is the Prime Minister aware that many people will view her statement with some anxiety, lest it be the first step towards a Prime Minister's Department? There may be some important constitutional issues involved in the decision. Can the right hon. Lady confirm that no previous Prime Minister has ever seen his responsibilities for the Civil Service as being to hold executive responsibility and managerial responsibility for such important areas of overall Civil Service policy and that previously that responsibility has been designated to another Minister? What makes the Prime Minister believe that concentrating power in her office is the right way of proceeding?

The Prime Minister: I do not think that the right hon. Gentleman could have heard everything I said. The Management and Personnel Office will be attached to the Cabinet Office and the efficiency unit, which was in my office, will go to form part of that management and personnel unit. With regard to the Prime Minister taking executive responsibility, I pointed out carefully in my statement that those responsibilities will continue to be discharged in exactly the same way as they are now, either by my hon. Friend the Member for Brentford and Isleworth (Mr. Hayhoe), who will go to the Treasury to discharge them, or by my noble Friend the Chancellor of the Duchy of Lancaster, who will discharge the day-to-day responsibilities in the Management and Personnel Office in the same way as she does in the CSD now.

Mr. Nigel Forman (Carshalton): Is my right hon. Friend aware that her package of decisions is amply justified by the disappointing record of the CSD in the years since the Fulton report? Will she undertake to come back to the House in due course, perhaps in a few months, with a report on the savings in manpower and money that may flow from her wise decision?

The Prime Minister: I am grateful to my hon. Friend. If we were starting again, I do not think that we would set up the CSD in quite the same way as it was set up. I believe that my hon. Friend's conclusion is correct. In the past few

years the CSD has reduced its own staff by about 10 per cent. We shall certainly keep a careful watch on the points that my hon. Friend has raised, and report back.

Mr. Michael English (Nottingham, West): I congratulate the Prime Minister on grasping a nettle that has been around for at least four years. Will she congratulate her hon. Friend the Member for Cirencester and Tewkesbury (Mr. Ridley), who was one of the two people who drafted the recommendation in the 1977 Expenditure Committee report, which she has now substantially implemented? Does she agree that that shows that if a Select Committee takes two years to consider the Civil Service—the first time in 106 years that hon. Members had considered the Civil Service as a whole—it demonstrates the strength of bipartisan Select Committees on such matters?

The Prime Minister: I am grateful to the hon. Gentleman. I was aware of the conclusions of that Committee and am glad of the hon. Gentleman's support and the support of all those who constituted the Committee under his chairmanship.

Mr. Philip Holland (Carlton): Can my right hon. Friend give an assurance that the demise of the CSD will in no way dilute the follow-through on the recent advice and instructions issued to all Departments on the subject of non-departmental public bodies?

The Prime Minister: I am glad to give my hon. Friend that assurance. I hope that the subject in which he has taken a foremost interest will continue to be prosecuted vigorously by Ministers in charge of Departments.

Mr. Charles R. Morris (Manchester, Openshaw): Would the Prime Minister explain what contribution to Civil Service efficiency will stem from having a two-headed Civil Service administration? Does she recall the phrase she used in her White Paper of February of this year when she said that the functions of the Civil Service Department had a logical cohesion which it would be harmful to split? How can she justify not only splitting it but splitting it three ways?

The Prime Minister: I have explained the reasons for the split, but the split is two ways, not three ways. Those who go to the Treasury will come under Sir Douglas Wass, and the others will be under Sir Robert Armstrong in the Cabinet Office. They will be joint heads of the Civil Service. The right hon. Gentleman is right in that there have not previously been joint heads of the Civil Service, but I am sure that it will work extremely well.

Several Hon. Members rose—

Mr. Speaker: If hon. Members will be brief, I shall try to call those who have been rising. *[Interruption.]* Those groans come from hon. Members who have not been seeking to catch my eye.

Mr. Tim Eggar (Enfield, North): I congratulate my right hon. Friend on this welcome decision. Is she aware that the evidence to the Treasury and Civil Service Subcommittee showed quite clearly that the CSD was not doing an effective job, in stark contrast to the work being done by Sir Derek Rayner and his team? Can we now expect that a proper management accounting system will be brought into all Departments, not only the Department of the Environment?

The Prime Minister: I hope that the amalgamation of those two units into the Management and Personnel Office will help both to carry out their responsibilities as efficiently as possible. I am aware that the management accounting unit to which my hon. Friend refers is now being set up in the Department of the Environment. I hope that that will act as a model for other Departments.

Mr. Robert Sheldon (Ashton-under-Lyne): Why on 29 January did the right hon. Lady agree that the Civil Service Department should continue its separate existence when now, a few months later, she is trying to join them once again?

Is the right hon. Lady aware that it will not end here? When these matters of pay are dealt with in the Treasury, they will have to go all the way up to the Chancellor of the Exchequer. The trade unions will not be satisfied with meeting the Chief Secretary to the Treasury, as the right hon. Lady's spending Ministers are: they will want to go to the person who makes the final decision. The work of the Treasury will be increased and there will be a concentration of power without the ability to resolve problems any more satisfactorily than at present.

The Prime Minister: I disagree with the right hon. Gentleman. My hon. Friend the Minister of State, Civil Service Department, will continue to carry out the work he is now doing. He has been doing that work in the CSD. He will be doing it in the Treasury. The trade unions will deal with him and they will also consult my right hon. and noble Friend the Chancellor of the Duchy of Lancaster.

In any event, these matters had previously to come either to me or to the Chancellor of the Exchequer, or groups of Ministers. The system in that respect will not be different.

Mr. Barry Henderson (Fife, East): Is my right hon. Friend aware of the vital role that information technology can play in efficiency in the Civil Service, from her own office down? Will she assure the House that the changes proposed today will not affect the development of the work of the Central Computer and Telecommunications Agency. Might this not be an opportunity for shifting the responsibility for the agency to my hon. Friend the Minister for Industry and Information Technology?

Will my right hon. Friend also assure the House that these changes will not in any way affect the dispersal of Civil Service jobs in Glasgow?

The Prime Minister: There will be no change whatever in the dispersal programme of the Civil Service as a result of these changes.

I hope that all matters concerning information technology in which my hon. Friend the Minister for Industry and Information Technology has taken such a vigorous interest, will continue to be pursued actively. They are important not only to the Civil Service but as an example to the rest of commerce and industry.

Mr. K. J. Woolmer (Batley and Morley): If a major employer, employing over 600,000 people, announced a decision of this scale and importance only 30 minutes after calling in the unions to tell them, would not this House condemn it as a gross violation of good industrial relations? In view of the significance and importance of such a change, and the reservations expressed today, would it not be appropriate for this House to have the opportunity for a proper debate on the issue?

The Prime Minister: Machinery of government changes have always been announced to this House first, and I believe that that is the way to do it.

Mr. Christopher Price (Lewisham, West): Where will the ministerial and administrative responsibilities for openness of government, and the follow-through of the flow of directive, now reside? Does the Prime Minister's statement mean that the pledges given to this House by the Lord President of the Council earlier this year, in a debate about the openness of government will be adhered to as strongly as he said they would be in that debate?

The Prime Minister: I do not think that there is any change. I remain head of that part of the office which deals with those things. The Chancellor of the Duchy of Lancaster will carry out those duties on a day-to-day basis, as she does now.

Mr. Stan Crowther (Rotherham): Is it not a fact that the Government, in their doctrinaire pursuit of the notion of reducing the total number of civil servants, have concentrated mainly on the industrial civil servants and handed out their work to private contractors? Will the Prime Minister acknowledge that the cleaners, the painters, the electricians, the drivers, and so on, whose jobs are now being destroyed by the thousand, are no less dedicated to the public service than the very senior people to whom she referred in her statement?

The Prime Minister: I do not accept what the hon. Gentleman has said. There have been some reductions in the numbers in the industrial Civil Service, but there have been a similar number of reductions in the non-industrial Civil Service.



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10 DOWNING STREET

From the Private Secretary

12 November 1981

Dear Mr Buckley

I enclose a further revision of the Prime Minister's statement on the Organisation of the Central Departments. This includes some changes that the Prime Minister has inserted after her meeting with Mr. Edward du Cann, MP, last night.

I am sending copies of this letter, and its enclosure, to John Kerr (HM Treasury), Craig Pickering (Sir Douglas Wass's Office), Clive Priestley (Sir Derek Rayner's Office), Jeremy Colman (Sir Ian Bancroft's Office) and David Wright (Cabinet Office).

*Yours faithfully
M. A. Pattison*

M. A. PATTISON

Jim Buckley, Esq.,
Chancellor of the Duchy of Lancaster's Office.

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SPEAKING NOTE FOR THE PRIME MINISTER'S USE AT CABINET ON
THURSDAY 12 NOVEMBER 1981

THE REORGANISATION OF THE CENTRAL DEPARTMENTS.

I shall be announcing in a statement in the House this afternoon that I have decided to reorganise the work of the central departments.

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.

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 management matters.

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 Management and Personnel Office. This Office will work closely with the Cabinet Office as well as the Treasury. It will be headed by Sir Robert Armstrong (who will continue as secretary of the Cabinet and head of

/ the Cabinet

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- 2 -

the Cabinet Office), with Mr. John Cassels as Second Permanent Secretary. The rest of the CSD will become part of the Treasury.

The new Ministerial arrangements will be introduced on Monday, 16 November. 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 Barney Hayhoe, who will be an additional Minister of State in the Treasury. Barney Hayhoe will answer on the whole range of Civil Service questions in the Commons.

On all the responsibilities I shall be retaining as Minister for the Civil Service, the Chancellor of the Duchy of Lancaster will assist me, and she will answer on all Civil Service matters in the Lords.

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.

There will be a lot to be done to make the new organisation effective. One area which it will be necessary to make changes is in departments' accommodation. If we are to get the maximum benefit from the reorganisation, staff at present in the CSD will need to be located as near as possible to the

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/ Treasury

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- 3 -

Treasury and the Cabinet Office. I am sure that those few colleagues who will be affected will be helpful over this.

SECRET

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER'S USE AT CABINET
ON THURSDAY 12 NOVEMBER 1981

THE REORGANISATION OF THE CENTRAL DEPARTMENTS

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SECRET



File AH

10 DOWNING STREET

From the Principal Private Secretary

RESTRICTED

SIR ROBERT ARMSTRONG

FUTURE OF THE CENTRAL DEPARTMENTS

The Prime Minister has seen your minute AO5930 of 10 November 1981 and has approved the draft message to the staff of the Management and Personnel Office, including the personal message from her.

KW.

12 November 1981

AH



Note

10 DOWNING STREET

Mr. [unclear] and I agree to wait until there is an actual request for an interview and then put the matter to the Prime Minister. We then agree this with Mr. Wainwright.

KAL
12x1

N. Whyburne

Could we talk on the phone?

With Bancroft & Hebeerg
be on the record or unaccountable?
of on the record, that makes life
more difficult for Whitney &
Wass. With the latter two see
media together, which is perhaps
preferable? And with they all
all journalists who want to see
them together or separately?
On point of principle, I think it
would be better to explain,
especially why the continued
division and justification
for MPO of " " " "

PRIME MINISTER

cc. Sir Robert Armstrong
Sir Douglas Wass
Sir Ian Bancroft
Sir John Herbecq
Mr. Whitmore

CENTRAL DEPARTMENTS

I think you and the other recipients should be aware of the sort of questions which might be coming your way (and which are not really dealt with in the supplementaries):

- i. In January (Hansard, Col. 1070, January 29) you said "I have decided to strengthen and improve the existing organisation of the CSD rather than merge the two Departments". What has changed your mind?
- ii. In January (same reference) you said you came to the conclusion that if you merged the two Departments "all concentration would go on re-organisation rather than on dealing with the true problem which (is) the control of public spending". Again, what's different? Isn't the control of public spending still the true (and still the defiant) problem?
- iii. You have been under pressure to set up a Prime Minister's Office. Isn't this a step down that road - but only a tentative one, since it will not really give you the resources you require?
- iv. How can you possibly have two Heads of the Civil Service? How will it work? And how, if you can, and it will work, can you justify the exclusion of Sir Douglas Wass from advice on appointments?

*Not merging
CSD & Log.
Not a merged
reorg'n. Will
keep with the
control of public
spending.*

*No. There is
not the purpose
of his change.*

*Right but we
know how of the
two heads now
dealing with the C.S.
Should shape now;
with. There will need to
be due control in those
times as between two heads.
Sir R.A. will answer to
D.W. & this from Sir - on
same point.*

/v. If

v. If Sir Douglas is excluded from that, isn't this to be interpreted as a move to tighten your grasp on senior appointments?

*MM excluded.
However, his plan.
we could have to
open apps.*

vi. Have we ever had joint Heads of the Civil Service before? Is it unprecedented for the Secretary to the Cabinet to be so designated? And are we to take that designation as a further token of the move towards a Prime Minister's Office?

*Yes. No - Sir
N. Booth.*

No.

vii. Who will the unions negotiate with? - The Chancellor? Mr. Hayhoe? Or someone else?

*Depends on
the subject,*

viii. Doesn't the decision to keep personnel management, apart from Treasury - and hence promotion - mean that Mr. Bruce-Gardyne's criticism of January 1981 remains valid? And what is the answer to his criticism then in the light of today's announcement?

*Just not aware
of C.G.'s criticism
or time.*

ix. Is this not a fine way of damaging industrial relations/union confidence (at the start of a pay round)? How much notice were permanent secretaries, staff, unions, etc. given of the change? Is this not a remarkably bad way of starting a Management and Personnel Office?

*No. The changes
will improve the
management of the C.S.
They are by the
way. We will have
more before that.*

x. How will the present Rayner Unit staff be absorbed within the MPO? Are we killing Rayner? And if not, what are we doing?

*One way is to
make it a unit.*

xi. Please quantify staff savings from this announcement? - How many? - Redundancies?

See apps.

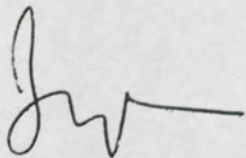
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is a buzz around in the Lobby this evening that we are going to kill the CSD tomorrow and I am sure that some newspapers are very well briefed indeed.

I should add one obvious point: that it is absolutely essential that you (and I when I face the Lobby later) and any permanent secretary concerned who sees the press should have at his finger-tips the following information:

- Cost/size of the Civil Service.
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B. INGHAM

11 November, 1981

The Prime Minister: I thought that the right hon. gentleman was in the House when my right hon. Friend made his statement about British Leyland. He said during the course of that statement—I think that I am right, but a quick check can easily be made—that it would of course have to be referred to the EEC under the rules of the Commission, which applied to the previous Government to this Government. I do not anticipate any difficulty with its final decision.

Mr. Foot: I did not myself recollect that the right hon. gentleman said that to the House. If I am wrong, I shall happily put it right. But may I still press the right hon. Lady very strongly on this matter? We believe that it is essential that the backing for British Leyland should go ahead, and we believe also that the decision should be made by this House of Commons and not anywhere else.

The Prime Minister: I tried to cover that point. I do not believe that there will be any difficulty with the final decision of the Commission. I believe, therefore, that the backing for British Leyland will go ahead.

Mr. Kenneth Carlisle: Does my right hon. Friend agree that the fact that last year saw the lowest number of working days lost through strikes since 1941 shows the optimism with which the British people are facing this recession? Does she agree also that, if we retain that optimism when we come out of the recession, not only will our productivity improve, but we shall be better able to compete, and thus create more jobs?

The Prime Minister: I share my hon. Friend's view about that news was very welcome, that we have an excellent strike record that has not been bettered for 41 years. If we can get rid of the image of Britain as a strike-ridden country, it can only inure to the benefit of the many people who work in home trade and export industries.

Mr. Park: Arising from this morning's announcement of over 500 redundancies at Talbot in Coventry, does the right hon. Lady accept that that is clear evidence of the fact that for some people to remain in work an increasing number have to be put out of work?

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Mr. David Steel: Does the right hon. Lady recall that, in the current issue of *Conservative News* she has written that, in 1981, business should be looking up? Does she think that it will be helped to look up if the Government go ahead with the proposal to transfer the responsibility for the first eight weeks of sick pay to employers?

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Civil Service Department

Q3. Mr. Bruce-Gardyne asked the Prime Minister if, in view of the evidence given by the Secretary to the Cabinet, Sir Derek Rayner and others to the Treasury and Civil Service Committee, she intends to proceed with the reabsorption of the Civil Service Department into the Treasury.

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The Prime Minister: There are always conflicting interests in trying to move civil servants from London to other parts of the United Kingdom. We have taken the view that it is right, in view of Scotland's economy, to transfer some posts. I believe that there are good reasons for the transfer to go ahead. Although I accept my hon. Friend's point that it will mean some increase in public spending, it will also give some hope to the people of Scotland.

Prime

Q4. Mr. V...
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The Prime
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Mr. Heffer...
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factory open?

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Mr. Myles:
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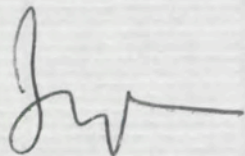
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Prime Minister

Q4. Mr. Whitford asked the Prime Minister to list her official expenses.

The Prime Minister: I have already given the reply which I gave to the hon. Member.

Mr. Whitney: In the course of her business, does the Prime Minister's Government's responsibilities include the development of small groups of trade unions? If so, will the Prime Minister, show the results of the reform of the union which was conferred on the Government?

The Prime Minister: My views on the role of trade unions are set out in my appointments are set out in my consultations on political opinion. My views on trade unions in this decision that we take a great deal upon us.

Mr. Heffer: Some workers at Liverpool are being dismissed on the criteria, in the sense of industrial relations, that are increasing, can she tell me what her Government's policy is on the EEC, which is basic to the factory open?

The Prime Minister: The closure of that factory is a proportion of sugar which proportion that comes from the EEC." I hear hon. Friend. I seem to remember that I check the precise figures under the last Government which obtains under the EEC. It seems to suggest that the refined from beet are

Mr. Myles: In the case of net farm

ORGANISATION OF THE CENTRAL DEPARTMENTS:
DRAFT STATEMENT TO PARLIAMENT

WITH PERMISSION, MR. SPEAKER, I SHOULD LIKE TO MAKE A STATEMENT ON THE ORGANISATION OF THE CENTRAL DEPARTMENTS.

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. THE GOVERNMENT IS MOST GRATEFUL TO THE TREASURY AND CIVIL SERVICE COMMITTEE FOR ALL THE VALUABLE WORK THEY HAVE DONE IN THIS AREA AND IN PARTICULAR FOR THEIR REPORT ON THE FUTURE OF THE CIVIL SERVICE DEPARTMENT. I LOOK FORWARD TO RECEIVING THEIR RECOMMENDATIONS AS A RESULT OF THEIR CURRENT STUDY ON IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF THE CIVIL SERVICE.

NONETHELESS I BELIEVE THAT THE TIME HAS COME WHEN SOME ORGANISATIONAL CHANGES WILL HELP US TO MAKE SURE THAT THE PROGRESS WE HAVE ALREADY ACHIEVED IS MAINTAINED.

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

CONSOLIDATING THE CSD'S MANPOWER CONTROL RESPONSIBILITIES WITH THE CENTRAL CONTROL OF RESOURCES.

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. THE STAFF AT PRESENT CONCERNED WITH THESE FUNCTIONS WILL BE TRANSFERRED TO THE TREASURY.

MY HON. FRIEND, THE MEMBER FOR HOUNSLOW, BRENTFORD AND ISLEWORTH WILL BE APPOINTED AS A MINISTER OF STATE IN THE TREASURY TO HELP IN THE DISCHARGE OF THESE RESPONSIBILITIES. HE WILL CONTINUE TO ANSWER IN THIS HOUSE FOR THE WHOLE RANGE OF CIVIL SERVICE MATTERS.

THE DUTIES OF THE OTHER MINISTERS OF STATE IN THE TREASURY WILL REMAIN UNCHANGED, BUT MY HON. FRIEND THE MEMBER FOR KNUTSFORD WILL ASSUME THE TITLE OF ECONOMIC SECRETARY TO THE TREASURY.

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 EFFICIENCY OF THE CIVIL SERVICE IN CARRYING OUT ITS FUNCTIONS AND THE SELECTION AND DEVELOPMENT OF CIVIL SERVANTS ARE AS IMPORTANT TO THE GOVERNMENT 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 SHALL THEREFORE CONTINUE TO BE MINISTER FOR THE CIVIL SERVICE AND TO 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. MY NOBLE FRIEND THE CHANCELLOR OF THE DUCHY OF LANCASTER WILL, AS AT PRESENT, DISCHARGE THESE RESPONSIBILITIES ON A DAY-TO-DAY BASIS. SHE WILL ALSO ANSWER IN ANOTHER PLACE FOR THE WHOLE RANGE OF CIVIL SERVICE MATTERS.

THE STAFF INVOLVED IN THESE FUNCTIONS WILL WORK ALONGSIDE THE CABINET OFFICE IN A NEW 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 A SECOND PERMANENT SECRETARY, MR. JOHN CASSELS.

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 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. THEREAFTER, THERE WILL NOT BE A DEPARTMENT KNOWN AS THE CIVIL SERVICE DEPARTMENT.

/ THERE WILL

THERE WILL BE SOME STAFF SAVINGS AS A RESULT OF THE NEW ARRANGEMENTS.

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 WITH CHARACTERISTIC PUBLIC SPIRIT 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. BOTH HAVE HAD LONG AND DISTINGUISHED CAREERS IN THE PUBLIC SERVICE, AND HAVE SERVED THE NATION WITH ALL THE DEVOTION AND INTEGRITY WHICH WE EXPECT FROM OUR PUBLIC SERVANTS. SIR IAN SERVED SUCCESSIVE CHANCELLORS OF THE EXCHEQUER WITH CONSPICUOUS DISTINCTION. HE DID MUCH TO BUILD UP THE DEPARTMENT OF THE ENVIRONMENT BEFORE BECOMING THE HEAD OF THE CIVIL SERVICE IN 1977. I AM SURE THE HOUSE WOULD WISH TO JOIN ME IN THIS EXPRESSION OF APPRECIATION AND GRATITUDE FOR THE MANY YEARS OF DISTINGUISHED SERVICE BOTH HE AND SIR JOHN HAVE GIVEN TO THE COUNTRY.

ON SIR IAN BANCROFT'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 HAVE PLACED IN THE LIBRARY COPIES OF A NOTE SETTING OUT THE DISTRIBUTION OF FUNCTIONS BETWEEN THE TREASURY AND THE MANAGEMENT AND PERSONNEL OFFICE.

SECRET

ORGANISATION OF THE CENTRAL DEPARTMENTS: DRAFT STATEMENT TO PARLIAMENT

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

(A) 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.]

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.

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. The staff at present concerned with these functions will be transferred to the Treasury.

My hon. Friend, the Member for Hounslow, Brentford & Isleworth, will be appointed as a Minister of State in the Treasury to help in the discharge of these responsibilities. He will ^{continue to} answer in

SECRET

/ this House



10, DOWLING STREET

(A)

The Government is not grateful to the
 Training and Civil Service ~~the~~ Committee for
 all the valuable work ~~with~~ ^{they} ~~it~~ have done ^{in this case} &
 all the ~~work~~ ^{studies} for ~~the~~ report on the future
 of the Civil Service Department. I look forward
 to receiving the ~~Committee's~~ ^{their} recommendations
 as a result of their current study on
 improving ^{the} efficiency ^{and effectiveness} of the Civil Service.
 Nevertheless I believe that the time has
~~come~~ ^{come} when some organisational
 changes will help us to make sure that
 the progress we have already achieved is
 maintained.

this House for the whole range of Civil Service matters.

The duties of the other Ministers of State in the Treasury will remain unchanged, but my hon. Friend the Member for Knutsford will assume the title of Economic Secretary to the Treasury.

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 efficiency of the Civil Service in carrying out its functions and the selection and development of Civil Servants are as important to the Government 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,~~ ^{shall therefore} ~~that~~ I ~~should~~ continue to be Minister for the Civil Service and ^{to} 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 My noble Friend the Chancellor of the Duchy of Lancaster will, as at present, discharge these responsibilities on a day-to-day basis. She will also answer in another place for the whole range of Civil Service matters.

~~? Report to Treasury Select Committee on 11/11/50~~

The staff involved in these functions will work alongside the Cabinet Office in a new 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

Handwritten notes:
other?
of
of the
new
Office

SECRET

- 3 -

the new Office by ~~Mr. John Cassels~~^a, Second Permanent Secretary, *Mr John Cassels*.

~~A~~
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 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. Thereafter, there will not be a department known as the Civil Service Department.

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

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 with characteristic public spirit 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. Both have had long and distinguished careers in the public service, and have served the nation with all the devotion and integrity which we expect from our public servants. Sir Ian served successive Chancellors of the Exchequer with conspicuous distinction. He did much to build up the Department of the Environment before becoming the Head of the Civil Service in 1977. I am sure the House would wish to join me in this expression of appreciation and

/ gratitude

SECRET

SECRET

- 4 -

gratitude for the many years of distinguished service both he and Sir John have given to the country.

On Sir Ian Bancroft'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 have placed copies of a note setting out the distribution of functions between the Treasury and the Management and Personnel Office in the Library.

SECRET



10 DOWNING STREET

Prime Minister.

It is proposed to place
this note on the reorganisation
of the central departments in
the history of the House at
3.15 p.m.

You saw it in an
early version. It is hardly
changed.

Content?

RW

11xi

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 Management and Personnel Office and which functions are to be transferred to the Treasury from the Minister for the Civil Service, as indicated by the Prime Minister in her statement on 12 November 1981.

MANAGEMENT AND PERSONNEL OFFICE (MPO)

Ministers

- The Rt. Hon. Margaret Thatcher, M.P.
Minister for the Civil Service
- assisted by the Rt. Hon. Baroness Young,
Chancellor of the Duchy of Lancaster

Permanent Secretary - Sir Robert Armstrong, K.C.B., C.V.O.

Second Permanent Secretary - Mr. John Cassels, C.B.

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

* On MPO business in the House of Commons, the Prime Minister will be assisted by Mr. Barney Hayhoe, Minister of State, Treasury.

- (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; 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 Management and Personnel Office, 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

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.

Mr. Barney Hayhoe, M.P., 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.

Mr WHITMORE ^L .

cc Mr Wright



FUTURE OF THE CENTRAL DEPARTMENTS

Thank you for our copy of your minute of yesterday. Our comments on the various drafts are as follows.

Draft statement, page 2

2. To avoid giving a possible impression that MPO is no more than the rump of CSD, we think that the first sentence of the second paragraph might begin:

"My noble Friend and I will therefore be supported by a new Management and Personnel Office, which will work alongside the Cabinet Office.
Sir Robert"

Draft statement, page 3

3. The reference to Sir Ian Bancroft and Sir John Herbecq does not (for obvious reasons) contain the "warm words" about their services; these will no doubt be included.

Notes for Supplementaries

4. The question of Civil Service morale is dealt with in my minute of yesterday to Mr Wright, copied to you.

Draft speaking note

5. The very last sentence may invite a rebuff. Perhaps say instead:

"I hope that colleagues will be helpful over this. Naturally, the changes necessary will be kept to a minimum."

CP

C PRIESTLEY
11 November 1981

Seen by his (min) Minute. 12/11/81

Prime Minister. 17

SECRET AND PERSONAL

I have re-approached the announcement as of the day tomorrow, but I am submitting this minute in view of paragraph 3.

MR. WHITMORE

file 11/11/81

Future of the Central Departments

You sent me a copy of your minute of 10th November to Sir Ian Bancroft, with revised drafts of the various documents which will be needed tomorrow.

2. I have only one point on the draft statement. I see that the Prime Minister will need to announce Mr. Bruce-Gardyne's change of title. As drafted, however, there may be a risk that some people will jump to the wrong conclusion, that Mr. Bruce-Gardyne is to have some responsibility for Civil Service matters. I suggest that this risk could be avoided if the last sentence of paragraph 4, at the bottom of the first page, was altered to read:

"The duties of the other Ministers of State in the Treasury will remain unchanged, but my hon. Friend the Member for Knutsford will assume the title of Economic Secretary to the Treasury".

3. I think that, if the Prime Minister were given an opportunity in Supplementary Questions, it would be tremendously useful if she were to give a Supplementary Answer on the lines of the second paragraph of the personal message which I have suggested to her in the minute which I sent to you yesterday. There will be uncertainty, particularly among staff in the CSD; and something said on these lines in the House of Commons would help to preserve confidence.

4. I am sending copies of this minute to Mr. Kerr (Treasury), Mr. Buckley (Office of the Chancellor of the Duchy of Lancaster), Sir Ian Bancroft, Sir Douglas Wass and Sir Derek Rayner.

Robert Armstrong

(Drafted by Sir R Armstrong & signed on his behalf)

11th November 1981

1

PRIME MINISTER

STATEMENT ON THE CENTRAL DEPARTMENTS

The attached folder contains:

- (1) The draft statement and notes for supplementaries (together with a copy of your reply of 29 January 1981 to Mr. Bruce-Gardyne, and the Report of the Treasury and Civil Service Committee on the future of the CSD).
- (2) A draft note on the reallocation of departmental responsibilities to be placed in the Library of the House tomorrow afternoon. This needs your approval.
- (3) A minute from Bernard Ingham listing questions which he is getting from the press. Some of these are covered in the notes for supplementaries; others we will get answers to in the morning.
- (4) A draft message to the staff of the Management and Personnel Office.
- (5) A minute from Sir Robert Armstrong about morale.

JWW'

11 November 1981

~~B~~

~~Miss Stephens~~

~~ew~~

MR. WHITMORE

Sorry, what meeting?
The one with D.R.? Yes - CS.
KW
11x1?

Meeting to discuss future of Central Departments

This meeting has been arranged for Tuesday
1 December at 1730. The Prime Minister's next
appointment is an Audience.

es.

11 November 1981

SECRET

15

PRIME MINISTER

FUTURE OF THE CENTRAL DEPARTMENTS

We have made a number of changes to the draft of the statement on the future of the central Departments which you are due to make in the House on Thursday, and I thought it would be helpful if you had tonight the attached version which incorporates all the amendments made so far.

I also attach revised drafts of the Notes for Supplementaries, of the note which it is proposed to place in the Library on the re-allocation of the functions of the central Departments and of the speaking note for your use at Cabinet on Thursday morning.

I am circulating all these to those concerned for them to check.

Jah.

10 November 1981

* All of which you have seen or
various stages.

SECRET

SECRET

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

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

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.

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.

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. Friend, the Member for Hounslow, 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 Knutsford, who is currently a Minister of State in the Treasury, will assume the title of Economic Secretary to the Treasury.

/I now turn

SECRET

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, that I should continue to be Minister for the Civil Service 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 my noble Friend the Chancellor of the Duchy of Lancaster will, as at present, discharge these responsibilities on a day-to-day basis. She will also answer in another place for the whole range of Civil Service matters.

The staff involved will work alongside the Cabinet Office in a new 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.

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 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. Thereafter, there will not be a department known as the Civil Service Department.

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

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 with characteristic public spirit 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. Both have had long and distinguished careers in the public service, and have served the nation with all the devotion and integrity which we expect from our public servants. Sir Ian served successive Chancellors of the Exchequer with conspicuous distinction. He did much to build up the Department of the Environment before becoming the Head of the Civil Service in 1977. I am sure the House would wish to join me in this expression of appreciation and gratitude for the many years of distinguished service both he and Sir John have given to the country.

On Sir Ian Bancroft'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 have placed copies of a note setting out the distribution of functions between the Treasury and the Management and Personnel Office in the Library.



11B

Goot MacLennan
file 11b

10 DOWNING STREET

*From the Principal Private Secretary*SIR IAN BANCROFTFUTURE OF THE CENTRAL DEPARTMENTS

Since your minute of 28 October, several amendments have been suggested to the draft statement on the future of the central Departments which the Prime Minister is planning to make on Thursday of this week, and I thought it would be helpful, therefore, if I circulated the attached revised draft which incorporates all these changes.

I also attach revised versions of the Notes for Supplementaries, of the note to be placed in the Library of the House and of a speaking note for the Prime Minister's use at Cabinet on Thursday (which is very much based on the draft minute to the Home Secretary attached to your minute of 28 October).

I should be grateful if you and copy addressees could let me have any comments on these drafts by close of play tomorrow, Wednesday 11 November.

I am sending copies of this minute and of its attachments to Mr. Kerr (H.M. Treasury), Mr. Buckley (Office of the Chancellor of the Duchy of Lancaster), Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

C. A. WATMORE

10 November 1981SECRET AND PERSONAL

THE CENTRE : DRAFT STATEMENT TO PARLIAMENT

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

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/I now turn

SECRET

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, that I should continue to be Minister for the Civil Service 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 my noble Friend the Chancellor of the Duchy of Lancaster will, as at present, discharge these responsibilities on a day-to-day basis. She will also answer in another place for the whole range of Civil Service matters.

The staff involved will work alongside the Cabinet Office in a new 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.

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 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.

Treasury. Thereafter, there will not be a department known as the Civil Service Department.

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

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 have placed copies of a note setting out the distribution of functions between the Treasury and the Management and Personnel Office in the Library.

NOTES FOR SUPPLEMENTARIES

Q1 WHY NOT JUST MERGE CSD AND THE TREASURY?

A. There are certain aspects of Civil Service management with which the Prime Minister must be particularly closely concerned, notably personnel management and appointments. Furthermore I have myself taken a keen personal interest in the promotion of efficiency in the Civil Service, and to this end I appointed Sir Derek Rayner in May 1979 to his present post with a remit to report directly to me. I have decided therefore that in addition to the function of personnel management a special responsibility for the pursuit of efficiency should be vested in a Department, the Management and Personnel Office, for which I shall be directly responsible.

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

SECRET

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 that 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 REORGANISATION SAVE?

A There will be some staff savings as a result of the reorganisation. 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 Management and Personnel Office. But I think it important that the organisation 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 Management and Personnel Office 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.

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 retirement. But should they wish to take up positions in the private sector, the normal rules about business appointments for former senior civil servants will, of course, apply.

SECRET

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 Management and Personnel Office and which functions are to be transferred to the Treasury from the Minister for the Civil Service, as indicated by the Prime Minister in her statement on 12 November 1981.

MANAGEMENT AND PERSONNEL OFFICE (MPO)

Ministers

- The Rt. Hon. Margaret Thatcher, M.P.*
Minister for the Civil Service

- assisted by the Rt. Hon. Baroness Young,
Chancellor of the Duchy of Lancaster

Permanent Secretary - Sir Robert Armstrong, K.C.B., C.V.O.

Second Permanent Secretary - Mr. John Cassels, C.B.

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

* On MPO business in the House of Commons, the Prime Minister will be assisted by Mr. Barney Hayhoe, Minister of State, Treasury.

SECRET

- (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; 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.

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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

- 3 -

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.

Mr. Barney Hayhoe, M.P., 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.

SECRET

DRAFT SPEAKING NOTE FOR THE PRIME MINISTER'S USE AT CABINET
ON THURSDAY 12 NOVEMBER 1981

THE REORGANISATION OF THE CENTRAL DEPARTMENTS

I shall be announcing in a statement in the House this afternoon that I have decided to reorganise the work of the central departments.

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.

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 management matters.

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 Management and Personnel Office. This Office will work closely with the Cabinet Office as well as the Treasury. It will be headed by Sir Robert Armstrong, (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.

SECRET /The new Ministerial

The new Ministerial arrangements will be introduced on Monday, 16 November. 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 Barney Hayhoe, who will be an additional Minister of State in the Treasury. Barney Hayhoe will answer on the whole range of Civil Service questions in the Commons.

On all the responsibilities I shall be retaining as Minister for the Civil Service the Chancellor of the Duchy of Lancaster will assist me, and she will answer on all Civil Service matters in the Lords.

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.

There will be a lot to be done to make the new organisation effective. One area where it will be necessary to make changes is in departments' accommodation. If we are to get the maximum benefit from the reorganisation staff at present in the CSD will need to be located as near as possible to the Treasury and the Cabinet Office. I am sure colleagues will be helpful over this.

SECRET

Treasury. Thereafter, there will not be a department known as the Civil Service Department.

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

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 have placed copies of a note setting out the distribution of functions between the Treasury and the Management and Personnel Office in the Library.