

PRIME MINISTER

The Chairman's Report on Central Office

1. A summary of recommendations is on page 2.
2. I think you will find that the report does not ask the fundamental question: what should be the functions of a modern political machine? Instead, the report mostly confines itself to tidying up the present management structure of Central Office.
3. There are only four major new proposals:
 - (a) the appointment of a Managing Director
 - (b) the appointment of a Director of Finance and Administration
 - (c) the opening of a Manchester Conservative Office
 - (d) the possibility of a major development of Smith Square (options put forward but no recommendations).
4. The Chairman clearly wants to make a start with those proposals where he has your approval. But is it not more sensible to await the appointment of a new Chairman before appointing new people - especially if you want a more fundamental review?

Steve.

STEPHEN SHERBOURNE

4th September, 1987



8.4/9

Conservative Central Office

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From:
THE CHAIRMAN OF THE PARTY
Rt. Hon. Norman Tebbit MP

NT/AM

3rd September 1987 R 4/9.

PRIVATE & CONFIDENTIAL

D Prime Minister,

I enclose the review of the work of Central Office.

The Committee of seven are agreed on the principal recommendations, although Peter Morrison has reservations about the need for a Managing Director.

As we state in the report there must be one person to whom the Directors report; some Chairmen may choose to be their own Chief Executive.

I look forward to discussing the proposals with you once you have had time to consider them. If you agree the proposed new initiatives, it would be preferable to start the work as soon as possible.

*Tenna is hoping
to arrange a
meeting with the
Chairman next
beginning 7 Sept.
S.*

*Yours
Norman*

mt

The Prime Minister

THE REORGANISATION OF
CONSERVATIVE CENTRAL OFFICE
SEPTEMBER 1987

Rt. Hon. Norman Tebbit C.H., M.P.
Viscount Whitelaw
Rt. Hon. Cecil Parkinson M.P.
Lord McAlpine of West Green
Lord Goold
Hon. Peter Morrison M.P.
Sir Peter Lane

SUMMARY OF RECOMMENDATIONS

There are a number of recommendations. If necessary a separate decision can be taken on each.

- 1) CCO should appoint a Managing Director We need someone to co-ordinate all the management functions.
- 2) CCO should appoint a Director of Finance and Administration A strong finance department could cut out a great deal of waste.
- 3) CCO should appoint a Director of Communications.
- 4) Subject to adequate sponsorship, we should open a new Manchester Conservative Office, as described in this paper.
- 5) We should merge the international activities of the Party (EUW, CGE, Conservatives Abroad) into a new international office, as described in this paper.
- 6) There should be a further review of the Party's organisation in the constituencies and the area offices.

Report on Conservative Central Office

Management and Organisation

- 1) Report on 1987 Campaign p 5
- 2) Central Office Management p 7
- 3) Rebuilding the Party in the Inner Cities p 13
- 4) Rebuilding the Party in Scotland p 19
- 5) International Office p 20
- 6) Constituency and Area Office organisation p 22
- 7) Developing 32 Smith Square p 23 + Appendix D.

APPENDICES

- A: Breakdown of General Election expenditure.
- B: Breakdown of General Election Media Expenditure.
- C: Budget for Manchester Conservative Office.
- D: Development options for 32 Smith Square.

PRINCIPLE

The objective of a commercial organisation is to maximise
its return on capital, its profit.

It is no different for Central Office. We don't measure
our return in profit but in the resources available for
political campaigning.

There is a difference between a political party and a
commercial organisation. But it is not a difference
which can justify the inefficient use of Party funds.

1) Report on the 1987 Campaign

We achieved the result that we wanted. This was largely the result of sound political judgements during the year before the campaign, as can be seen from the movement in the opinion polls since January 1986. The 1986 Party Conference was a particularly successful event.

There were management weaknesses within Central Office. In some cases we had the wrong people (with inadequate training or experience) and excessive inter-departmental rivalry.

CCO suffered from the lack of a strong chief executive and a Director of Communications. Both positions are vital.

We noted similar problems in the management of the Prime Minister's time. In future campaigns one person should be made responsible for deciding, with the Prime Minister, the priorities for the day.

A full report on the election campaign is being prepared separately, detailing the weaknesses which appeared within each department.

HOW TO WIN A FOURTH TERM

- 1) We must consolidate our hold on the seats we have won.
- 2) We must attack those seats where we can win.
- 3) We must attack Labour strong-holds in the inner cities, making sure that we take the credit for the Government initiatives.
- 4) We must make CCO an efficient, fighting organisation.

How:
Organisation is almost
more detailed structure - very
much put out - how to attract
them, and specific targets.

2) Reorganisation at CCO.

The biggest weakness at CCO is the lack of management and financial expertise, and gaping holes in the management structure. The Chairman cannot be expected to be his own Managing Director, Financial Director, and Communications Director.

The solution is two fold:-

- i) an appropriate organisation structure
- ii) directors with the appropriate skills and experience

Looking forward to the most likely time of the next general election, it is apparent that many of our current directors will not still be in place in four years time. We should now be choosing directors who can take us through the next election.

There must be one person to whom the directors report and to whom they are responsible. There is a strong case for this to be a Managing Director. However, it could also be the Chairman himself, or a Deputy Chairman.

If a Managing Director is appointed, consideration should be given to the establishment of a principle that his contract should should come up for renewal on the

resignation of the Chairman. One would normally expect the Managing Director to be re-appointed. However, one must balance the need for continuity in management with the wish of some Chairmen to 'choose their own man'.

For the purposes of this report we have assumed that someone other than the Chairman performs the role of Managing Director.

MANAGEMENT APPOINTMENTS AT CCO.

Although we would devise clear job descriptions and responsibilities for each director, we take the view that each should be allowed to run his own department in his own style, with the agreement of the Chairman and the Managing Director. We are not, therefore, commenting on the structure within each department.

Then how do we know it will make a harmonious whole?

Chairman: Director level appointments, political priorities and strategy, liaison with No 10, Government, HoC, Party and National Union.

Deputy Chairman: Deputise for Chairman, supervise all director level activity.

Vice-Chairman: Candidates

Vice-Chairman: International (see section <5>)

Vice-Chairman: Women

Managing Director: Director level appointments, management and organisation of CCO.

Director of Finance & Administration: Budgets, financial control, financial reports, liaison

with CBF, personnel and payroll,
computers, office services, security.

Communications Director: Press, television, radio,
advertising, PPBs, conference
strategy, strategy groups, wargames.

Director of Organisation: Management and supervision of
Deputy Directors, National Union
links.

Deputy Director of Organisation: Agents recruitment,
training, salaries, youth, women,
community and ethnic groups, legal,
speakers.

Deputy Director of Organisation: Area Offices,
liaison with Scotland, local
associations, borough and city
associations, management of inner city
offices.

Deputy Director of Organisation: Local Government

Campaign Director: Tactical seats campaign, Constituency
Computer Unit, By-election Unit,
Leaflets, direct mail, party
newspapers, artwork, desktop

publishing and graphic design
equipment, Reading links

Research Director: responsibilities as at present with
the addition of opinion research.

Director of Presentation: responsibilities as at present

The Directors all report to the Managing Director

BUDGET IMPLICATIONS

CCO managed to come through the election in the black,
with a small surplus, despite our record expenditure.

We propose to fill the posts of Managing Director and
Finance Director with outside staff loaned to us on
secondment. If that can be achieved they would not add
to the directors' salary budget.

In addition, we believe that there are considerable
savings to be made by bringing professional management
into CCO. We are all confident that the changes can be
introduced without the Party sliding into deficit.

The budget for the remainder of the year assumes that we
can reduce our running costs to a normal peacetime level.

We are currently reviewing the budget for each department.

SECONDING STAFF

The salaries of the senior staff at CCO form a major part of the running costs. We should explore the possibility of asking some of our corporate supporters to loan senior staff to CCO for periods of two or more years. This would:-

- a) give us valuable outside experience
- b) make considerable savings on our salary budget

It should also prove attractive for our sponsors, giving them some valuable political insight.

3) Rebuilding the Party in the Inner Cities

Our first priority is to win the next general election. The surest way is to consolidate our position in the seats we hold today. CCO has already launched a number of initiatives at the new marginal seats.

Every city is different. Bristol & Birmingham have strong voluntary party organisations. Nottingham, Leicester and Southampton are less strong but are still capable of being improved with some help from CCO. In other major inner cities, the Party has declined to a level from which it cannot recover without substantial outside help.

The Party's drive into the inner cities is not just about winning the next election. It is about:-

- a) re-establishing our credibility and undermining Labour in its last strongholds.
- b) remaining a national party - we must not be driven out of some areas.
- c) helping bring the fruits of our policies to the people who most need them (eg with Right to Buy clubs)

In some of these areas there has been a spiral of decline. We have recruited the wrong members, the wrong candidates and no longer offer a credible alternative to Labour.

The only way to re-establish our presence is to create professionally manned offices, financed and managed directly from CCO. Such an initiative would be expensive, and should be funded by a special appeal.

LOCATION

Our first choice is Manchester. We already hold almost 50% of the seats in the North West. At present, the credit for any improvements in Manchester is claimed by the Labour council, even when they derive from Government policy and initiatives. There is a flow of Labour propoganda with no effective Conservative riposte.

A Manchester office, fighting the Labour council, generating local publicity and showing us as a credible force, would benefit the party in the whole of the North West. If we can hold the North West, we should win the next election.

It is proposed that we start with one city office. We can plan others in the light of our experience in Manchester.

ASSUMPTIONS

The Manchester Conservative Office (MCO) would be managed by professionals, who we may not find already in the employ of the Party. Their time would be spent actively campaigning - rebuilding our reputation by having a presence on the ground.

There would be two strands to the organisation. The first, Communications, would tackle our public and press image in the region. The second, Campaigning, would find supporters, recruit members, select candidates, and train and brief voluntary workers. Both of these prime functions would have to be serviced by good local research.

The functions of each are broadly as follows:-

Communications Department: Press releases and

conferences, newssheets, direct mail, advertising on posters, local press, radio and TV (at conference time), PR - getting involved in local radio and TV.

Much of the press and advertising work can, and should, be handled through an agency. A Deputy Director will be needed for the PR work.

Campaigning Department: Finding supporters through clubs
(such as Right to Buy, Youth, Ethnics,
how to opt out et al), recruiting
members, selecting and training
candidates, briefing activists.

The Campaign Director will need a
Deputy to run the clubs (there should
be up to three evening meetings a
week) and another assistant to handle
candidates and briefings.

Research Director: This should be someone experienced in
local government.

The Communications Director would be the General Manager
of the office and would form the prime link with CCO.
The accounts for the office will be handled through the
Financial Director at CCO.

There would be a staff complement of nine. It is assumed
that the three directors would be seconded to the office
at no cost to CCO and that CCO will bear pay the salaries
of the others, on a payroll of just over £60,000.

We should select promising candidates for the Manchester
seats as soon as practicable. This would give them time
to build up their own teams of helpers on the ground.

BUDGET ASSUMPTIONS

Communications: A lot of our publicity would be carried free, as news, by the local and regional media.

Advertising and direct mail would also be needed.

Expenditure on these can, however, be controlled. Most of the advertising would be positive, along the lines of 'come to our meeting and learn about your rights'. Most of the free publicity would be negative, attacking Labour waste and corruption.

Campaigning: The greatest expense will be the printing and distribution of leaflets, inviting people to advice meetings.

It is not, at present, proposed to merge the activities of the North West Area office into the Manchester Conservative Office.

FUNDING THE INNER CITY OFFICES

Details of the likely running and campaign costs of the office are shown in Appendix (C). If they are campaigning actively we believe that the office will cost approximately £400,000 each year to run.

CBF is confident that we can find sponsors to help us in this important project. As confidence in the area grows we should find more local business support. It is important that any money raised locally is chanelled back to CCO before being distributed, even if we agree to match local funding.

4) Rebuilding the Party in Scotland

The Scottish Conservative Party does not seem to be effective. There are any number of reasons including a perception of the Conservatives as an English party, a reluctance by the Scottish Party to evangelise into the council estates and an almost universally hostile press. We have commissioned a major survey to give us a better understanding of opinion in Scotland.

A separate report is being presented dealing with the Scottish Conservative Party.

5) INTERNATIONAL OFFICE

It is proposed that Conservatives Abroad, European Union of Women and the Conservative Group for Europe be grouped together under the control of the International Office.

This restructuring would give the Party the opportunity to employ an active and senior figure as Director of the International Office. There would be some scope for savings and it would give added focus to our international work.

The following points should be borne in mind:-

1) International Office

Scott Hamilton wishes to leave his position next year. His replacement will not share duties as Secretary General of the IDU and will therefore be in full time employment with the Party.

2) European Union of Women

The EUW has as its main interest the building up of an organisation relating directly to an international body which is closely linked with both the European Democratic Union and the International Democratic Union.

3) Conservative Group for Europe

This is independent but associated with the now moribund European Movement. A significant body of opinion would like to see CGE within the Party organisation but (as with EUW) on a self-supporting basis.

6) CONSTITUENCY AND AREA OFFICE ORGANISATION

There is also a need to review and improve our organisation in the constituencies. There should be three parts to the review.

A) National Union - probably through the Area Chairmen

- 1) identify weak constituencies.
- 2) prepare a programme for improving the quality of constituency officers.
- 3) prepare a programme for improving the quality of local candidates.
- 4) prepare proposals for promoting the Conservative cause in Labour strongholds.

B) Constituency Agents and Area Organisation

- 1) Review the employment and location of agents.
- 2) Review procedures for recruitment.

C) Area Offices

Review the situation and staffing requirements of each area office.

7) Redeveloping 32 Smith Square.

The physical limitations of 32 Smith Square caused some problems during the election campaign. Principally, we need to have a larger conference room, our own broadcasting studios and improved facilities for security at the front entrance.

The building was constructed in 1955 and does not now offer the optimum in terms of space and flexibility and inhibits the Party's ability to create a more efficient administration.

A report setting out the development options for 32 Smith Square is attached as Appendix D.

GENERAL ELECTION EXPENDITURE

Advertising	£6,862,000 (see Appendix B)
Opinion Research	£205,000
Outside venues & functions	£118,000
Capital Expenditure	
Battle Bus	£137,000
Mobile Stage	£48,000
Equipment	£77,000
Security	£72,000
Constituency grants	£164,000
Staff	£491,000
Travel, subsistence, canteen	£76,000
Establishment & insurance	£70,000
Telephone, stationery, postag	£125,000
Printing (less sales)	£190,000
Building and decoration	£15,000
Other	£45,000
 TOTAL	 £8,695,000

APPENDIX B

GENERAL ELECTION MEDIA AND PRODUCTION EXPENDITURE

DETAIL	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
	£000S	£000S	£000S	£000S
POSTERS	1,415.65	1,409.90	1,409.90	0.00
POSTER PRODUCTION	299.00	299.00	289.53	9.47
PRESS NATIONAL MEDIA	2,073.45	4,256.68	4,256.12	0.56
PRESS NATIONAL PRODUCTION	230.00	343.58	343.58	0.00
PRESS ETHNIC MEDIA	40.25	30.59	32.39	(1.80)
PRESS ETHNIC PRODUCTION	5.75	11.50	11.50	0.00
PRESS REGIONAL MEDIA		38.78	38.07	0.70
PRESS REGIONAL PRODUCTION		11.50	11.45	0.05
PEBS	287.50	365.10	365.10	0.00
PM VIDEO	57.50	47.18	47.18	0.00
LEAFLET PRODUCTION	7.48	12.65	12.65	0.00
SPECIAL REQUESTS	230.00	36.74	36.27	0.46
RESEARCH		8.73	8.73	0.00
TOTAL	4,646.58	6,871.92	6,862.46	9.46

B

APPENDIX C

INITIAL ASSUMPTIONS FOR MANCHESTER CONSERVATIVE OFFICE

ANNUAL OUTFLOWS

GENERAL OFFICE OUTFLOWS

CAPITAL EQUIPMENT	30,000	8 micros and desktop publishing
CARS & PETROL	24,000	3 cars, 1 van and petrol (on lease)
CLEANING	4,320	Based on average, similar sized office
COMPUTER MAINTENANCE	1,500	"
DELIVERY (PO)	300	"
ELECTRICITY	1,800	"
GENERAL STATIONERY	6,000	"
INSURANCE (BUILDING)	1,500	"
INSURANCE (CONTENTS)	1,000	"
LEASING (FAX, MAIL ET AL)	600	"
MESSENGERS	900	"
NEWSPAPERS	800	"
PETTY CASH	2,000	"
PHOTOCOPIER (USE)	1,000	"
POSTAGE	16,800	"
RATES	5,000	"
RENT	13,000	"
SECURITY	5,000	Unbreakable glass etc
TELEPHONE	12,000	Running costs - exchange under Capital
TRAVEL & ENTERTAINMENT	20,000	For local journos
WATER	600	

COMMUNICATIONS OUTFLOWS

ADS, POSTERS	12,000	Two, city centre, per month
ADS, PRESS	6,000	One per fortnight, local press
ADS, TV	5,000	One per annum, party conference
AGENCY COSTS	15,000	Artwork and other fees
DIRECT MAIL	30,000	10,000 per month at 25p each
MISC COSTS		
NEWS SHEETS	12,000	10,000 copies, 8 pages, monthly
PRESS RELEASES	700	Weekly, printing and postage

CAMPAIGNING OUTFLOWS

LEAFLETS & POST	6,480	3,000 leaflets (invites) posted weekly (under rent & rates)
MEETING COSTS		
MISC PRINTING		

SALARIES

COMMUNICATIONS DIR	40,000	Possible secondment
DEPUTY	20,000	Possible secondment
SECRETARY	10,000	
CAMPAIGN DIRECTOR	25,000	Possible secondment
DEPUTY	12,000	Possible secondment
ASSISTANT	10,000	
SECRETARY	8,500	
RESEARCH DIRECTOR	15,000	
ASSISTANT	10,000	
SECRETARY	8,000	

GRAND TOTAL 393,800

LESS SECONDMENT SALARIES 97,000

NEW TOTAL 296,800

Direct cost of North West Area office 1986/7 £133,000

APPENDIX D

REPORT ON DEVELOPMENT OPTIONS FOR 32 SMITH SQUARE

Prepared by Idris Pearce of Richard Ellis, Chartered
Surveyors.

D

CONSERVATIVE CENTRAL OFFICE

32 SMITH SQUARE, LONDON, SW1

Following a meeting between the Chairman and Treasurer of the Party with Idris Pearce to discuss the suitability of 32 Smith Square as the administrative centre and head office for the Party into the 1990's. various options were discussed and investigations commenced.

The present building was constructed in 1955 and in comparison to current development trends it does not now offer the optimum in terms of space and flexibility and therefore inhibits the Party's ability to create a more efficient administration.

The building comprises about 25,250 sq. ft. net of offices held on a lease for a term of 250 years from 2nd June, 1982 together with some further office accommodation of about 3,150 sq. ft. net on the 5th floor of the adjoining building, 67 Tufton Street, held on a lease expiring in 1999. The remainder of 67 Tufton Street is occupied by the Westminster VAT Office under the terms of a 20 year lease from 25th June, 1979 and comprising premises on basement to 4th floor, the ground floor of which is sub-let to the Post Office. The freeholder of both 32 Smith Square and 67 Tufton Street is Royal Life Holdings.

It is accepted that there is a requirement to improve the accommodation at Central Office and in considering the options available, the ultimate choice must be capable of early action as any works which may be necessary are required to be carried out within the next four years in advance of the next general election.

The options, together with their advantages and disadvantages fall into four categories as follows:-

1. Modernisation and refurbishment of 32 Smith Square.
2. Complete redevelopment of 32 Smith Square.
3. Complete redevelopment of 32 Smith Square and adjoining building in Tufton Street owned by Royal Life Holdings, in conjunction with Royal Life Holdings.
4. The complete relocation of Central Office to alternative accommodation.

1. Modernisation and Refurbishment of 32 Smith Square

Advantages

- a) The work, which can be carried out as a rolling programme, minimises disruption to the administration, and without planning consent.
- b) The cost of carrying out the works is relatively low. It is considered that the building can be refurbished at a cost of approximately £50-£60 per sq. ft.

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- c) This option retains the high ratio of car parking from which the building currently benefits.
- d) It retains the well known address.
- e) There should be no trouble in financing such a project and a substantial residual value (for use as security for any overdraft facilities) would remain.

Disadvantages

- a) A number of services are shared in common with adjoining occupiers in 67 Tufton Street and the disruption to these which will occur during refurbishment may lead to difficulties.
- b) The refurbishment will provide a better standard of accommodation but will not materially improve the amount of useable floor space nor the configuration of the building.
- c) The value of the interest in the building following refurbishment is likely to increase by a figure in the order of £1 million, however the cost of carrying out the refurbishment is likely to be in the order of £2 million and could be greater dependant upon the number of difficulties encountered during the course of the refurbishment works.

If this option is to be viable, it will be necessary to reconsider the occupation of 32 Smith Square to see whether or not surplus accommodation can be "massaged" out of the building, or the possible relocation of departments or part of departments in another location. It might be possible to provide studio accommodation, but it is unlikely to provide the size of accommodation for Ministerial Press Conferences at Election time.

This option should be explored further with a space utilisation study.

2. Complete Redevelopment of 32 Smith Square

Advantages

- a) Once again this option retains the well known address.
- b) It is likely that there will be a marginal increase in floor space.

Disadvantages

- a) There are likely to be logistical problems in the separation of the old building at Tufton Street and the new building in Smith Square.

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- b) The common services between Tufton Street and Smith Square would need to be split and new services provided within the redevelopment.
- c) The constraints of the site do not constitute the elements of a good development.
- d) The increase in value of the Party's interest is only marginally increased, in the order of £0.5 million which in commercial terms would be unacceptable in comparison to the costs of the scheme which are likely to be in the order of £3 million.
- e) It is more likely that in the market place a development of the whole would be considered over and above the partial development site.
- f) This option would result in the loss of a number of car parking spaces which are unlikely to be permitted under the terms of a new planning consent.

This option should be rejected.

3. **Complete Redevelopment of 32 Smith Square and Adjoining Building in Tufton Street Owned by Royal Life Holdings**

Advantages

- a) On completion of the works the Party will be able to return to a well known address although in our experience this rarely occurs.
- b) The resultant scheme will provide a better office environment with an improved quality of space and layout and make available a larger useable office area.
- c) The scheme can be purpose designed to incorporate the requirements of the Party and allow the administration to move into the completed building without great disruption.
- d) A scheme which provides a quality building such as envisaged could be relatively easily funded and additionally could provide improved security for loan purposes.

Disadvantages

- a) There are likely to be time constraints in negotiating with the adjoining freeholder and the tenants of the building. Additionally, obtaining planning permission and arranging the necessary finance are also time consuming, which could lead to building completion delays.

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- b) The Party must vacate the building during redevelopment and will need to obtain alternative accommodation for a short term, this may take time to find.
- c) This option would result in the loss of a number of car parking spaces which are unlikely to be permitted under the terms of a new planning consent.
- d) It is likely the Party will be required to pay rent at the open market rate.

This option should be considered but there is a danger that the desired result will not be achieved within the four year timescale.

An initial "ideas" scheme is being worked on to show what additional floor space can be achieved on a redevelopment. This scheme is being costed and appraised for financial viability.

4. **The Complete Relocation of Central Office to Alternative Accommodation**

Advantages

- a) Funding can be arranged to suit the Party's requirements with a disposal of the present building at a time convenient to the Party.
- b) The value of the existing 250 year lease can be used as capital to part fund any development.
- c) The existing building can be retained and occupied while development progresses.
- d) It should be possible to find an existing building or development opportunity in a location that can provide acceptable and better accommodation.
- e) In a new development the latest information technology systems can be "built in".

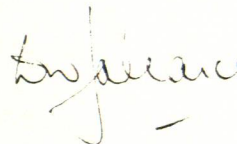
Disadvantage

- a) It is likely the Party's long leasehold interest could not be sustained, and there is a possibility of a current market rental being paid.
- b) The disposal of 32 Smith Square and the loss of a prestige site.

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This option is attractive but dependent upon suitable sites. A search has been instituted and two potential development opportunities have been located. These are being investigated as to ownership, planning, cost and feasibility. Both these locations are in the Horseferry Road area within the parameters set at the last meeting.

It is essential that before embarking on any course of action whether involving a reconstruction or a move to alternative accommodation that the officers of the Party clearly define their requirements in terms of accommodation, services and other facilities to ensure that the optimum building is achieved. This should be set in hand, preferably with myself and the Architect in attendance.



D.N. Idris Pearce
24th July 1987.