

PRIME MINISTER

*Discussed with the P.M. Agents
proved as suggested but not to
put out the Press Notice until after
she has seen Sir K. Benett.
Able
K.S.*

No. 10 Policy Unit

David Wolfson and John Hoskyns and I have discussed between ourselves arrangements for setting up the No. 10 Policy Unit under John Hoskyns on the lines which we discussed with you this morning. We concluded that, all outstanding issues having been (we trust) resolved, we should move speedily to establish and announce the Unit, although of course we cannot, and need not, say anything about the membership of the team, apart from John Hoskyns at this stage. Accordingly -

i. David Wolfson has seen the Chancellor to establish that Adam Ridley is to be a Special Adviser to the Chancellor, in the Treasury, and this is to be announced by the Treasury tonight so as to spike Economist speculation about his position in the No. 10 Unit.

ii. We suggest that you should tell Cabinet colleagues tomorrow about the establishment of the Unit and that this should be followed up by a letter from me to their Private Secretaries confirming what you say in terms which can be made widely known throughout their Departments (whereas the Cabinet Minutes cannot be widely circulated). The terms in which we suggest I should write, and which you might use for a simple statement at Cabinet, are as follows:

Prime Minister's Policy Unit

"The Prime Minister has established in her Office a small Policy Unit under the direction of Mr. John Hoskyns.

The Unit's task will be to assist the Prime Minister in developing and maintaining the strategic policies of the Government, with a view to achieving its long-term objectives. In doing this it may, of course, be asked to

/consider

consider immediate issues in the light of those objectives. They will, for this purpose, be carrying out a programme of work, under the direction of the Prime Minister, in close consultation with the Central Policy Review Staff.

Mr. Hoskyns and his colleagues will, of course, wish to consult the Prime Minister's Cabinet colleagues and their Departments from time to time in order to carry out their task and the Prime Minister would be grateful if Cabinet colleagues would give them appropriate assistance.

Mr. Hoskyns' Unit will work for the Prime Minister personally but the Prime Minister may from time to time wish them to circulate papers to colleagues collectively."

If you do this, it is possible that some Cabinet colleagues may be sensitive about their own status in relation to the Prime Minister, i.e. will be saying to themselves "does this mean that the Policy Unit is going to overrule, obstruct, amend or generally interfere with, my submissions to the Prime Minister and impair my relations with her?" If this is raised, or you suspect that it is in their minds, I suggest that you make two simple points to them:

- a. Responsibility for Government policy rests with the Cabinet collectively and that constitutional position is going to be maintained, as is their Ministerial responsibility for advising their colleagues and securing agreement to their policies; and
- b. All can agree, you hope, that it is a risk of Government that the trees obscure the wood; and they, as well as you, will benefit from having a group of people at the centre who can help to keep the strategy clear.

iii. The establishment of the Unit and the appointment of its head should be announced from No. 10 forthwith, either on Thursday evening or Friday morning.

iv. You should then see Sir Kenneth Berrill to secure from him co-operation, which he will surely give, with the Unit in pursuing studies which you think are necessary and also to discuss with him the appointment of a new deputy in the CPRS itself. This could be done on Friday. We have carefully drafted the terms of the letter so that it enters into none of this territory.

K.R.J.

9 May 1979