

SUBJECT
cc mader



File A14
cc Sir Rayner

10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

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SIR ROBERT ARMSTRONG

THE CENTRAL DEPARTMENTS

The Prime Minister saw you and Sir Derek Rayner yesterday evening to resume, on the basis of Sir Derek Rayner's minute of 29 June 1981, her discussion with you both about the future of the central departments.

She said that she felt that she did not have the same access to advice or ability to inject her own views as did a Minister in a department. This deficiency had most recently been exemplified by the meeting she had held the previous week on the gas gathering pipeline project when the issues had been put to her in a wholly ill-prepared way and without all the information she needed to have before being able to reach decisions. She thought that these weaknesses in the organisational and procedural arrangements for supporting her could be overcome by the establishment of a Prime Minister's Department. Historically the organisation of the central departments had been moving slowly in this direction for some years, and she now wanted to take the process further. This would probably require the amalgamation of the Cabinet Office, the CPRS, the No 10 policy unit, part of the Civil Service Department and Sir Derek Rayner's unit. A department developed by bringing together these various elements should be well able to act as the guardian of the Government's strategy, a role which she saw as the primary function of a Prime Minister's Department.

The Prime Minister continued that this meant of the options set out in paragraph three of Sir Derek Rayner's minute of 29 June she had chosen 2B. This involved the abolition of the CSD and the transfer of that department's present responsibilities for pay and manpower to the Treasury, with its responsibilities for efficiency going to the Cabinet Office. It would be important that in building on the Cabinet Office to create a Prime Minister's Department total staff numbers were not increased. Now that she had taken the decision in principle to move in this direction the next step was to draw up a plan of the measures that would be needed to give effect to her decision. She would like the plan implemented in six months' time.

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Sir Derek Rayner said that he agreed that the first of the options he had listed in his minute - to keep the CSD as it was but with changes in the top management - was not the right course organisationally to give the Prime Minister the central management controls she was seeking. He believed that she could get what she wanted by expanding the Cabinet Office a little and adding to it those parts of the CSD which were concerned with efficiency. He saw no difficulty about drawing up a plan of action to give effect to her decision, although his advice was that secondary questions such as the future of the Civil Service Catering Organisation for which the CSD was now responsible should be left on one side initially and dealt with later.

You said that apart from transferring to the Cabinet Office responsibility for efficiency (which you envisaged placing under Mr Cassels), most of the expansion of the Cabinet Office which the Prime Minister sought would be on the economic side of the secretariat. You thought that the secretariat could be strengthened in this way largely by drawing upon the CPRS. Whether to draw in the No 10 policy unit at the same time would need careful examination. If these changes were made, you believed that it would be possible so to improve our arrangements for handling Ministerial business that the Prime Minister received the service she was seeking. We should, however, need to consider very carefully whether the new organisation was called the Prime Minister's Department. To do so might give rise to suspicions and resentments about what people thought were the Prime Minister's intentions, and this could make it more difficult, not less, to achieve the Prime Minister's objectives. You believed that she could strengthen her support in the way she wished without necessarily calling the expanded Cabinet Office the Prime Minister's Department.

You added that the CSD's responsibilities to be transferred to the Treasury would need to be brigaded with the public expenditure side of that department. This development would fit in with the plans which Sir Douglas Wass already had for adjusting responsibilities at Second Permanent Secretary level.

b/f → | You said that, in conjunction with Sir Derek Rayner, you would now draw up and submit to the Prime Minister as quickly as possible a plan to give effect to her decision to go for option 2B and to strengthen the secretariat of the Cabinet Office. The first step would be for you and Sir Derek Rayner to see Sir Douglas Wass. Thereafter the Prime Minister would need to consult the Chancellor of the Exchequer and, at a later point, the Lord President. There were other factors which the plan would have to cover such as the future of certain individuals and how to handle those of the CSD's responsibilities which fell outside the pay, manpower and efficiency fields.

The Prime Minister said that she would be grateful if you and Sir Derek Rayner would proceed as you proposed.

I am sending a copy of this minute to Sir Derek Rayner.

8 September 1981

J.W.

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