

SUBJECT.



10 DOWNING STREET

From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR ROBERT ARMSTRONG

The Prime Minister held a meeting this morning with the Chancellor of the Duchy of Lancaster, you, Sir Frank Cooper, Sir Kenneth Berrill, Mr Sparrow and Mr MOUNT to discuss how the advice she now receives might be improved and her support on policy matters strengthened.

The Prime Minister said that she felt very strongly the need to have a source of advice which was independent of Government departments. At present, if she wanted an alternative view, she had to rely on her personal contacts outside Whitehall. She also felt that she needed a greater capability for taking initiatives: at the moment she and her office were inclined to be only reactive. Nor was there any body inside Government charged with helping her and the Chancellor of the Exchequer in the task of safeguarding the Government's strategy. At the moment her support and advice came from a number of sources - the Cabinet Office, the CPRS and the No 10 Policy Unit, and there was no systematic organisation. Too much was left to chance. The biggest gap of all was in the area of foreign affairs, defence and intelligence where the present arrangements provided her with no independent advice at all. Intelligence was a good example of the problem. She saw many reports and assessments and she often commented on them. She knew that her views were passed back but she suspected that in the process they were interpreted and reinterpreted and thus were gradually changed. If she had her own source of advice in this area she would be better able to take initiatives and to follow up her reaction to intelligence assessments. It might be possible to meet her need for advice generally by using a combination of the CPRS, the No 10 Policy Unit and a new foreign affairs, defence and intelligence unit.

In discussion it was agreed that what was required was not only a system which provided for the "ears and eyes" function but also worked in an active way to enable the Prime Minister to influence the formulation of policy and the handling of problems more effectively and at an earlier stage than now. If her staff were to carry out this latter function successfully, they would have to be able to represent her views to the

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ccs Sir F Cooper
Mr Sparrow
Mr MOUNT

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rest of Whitehall. It would be this that gave them credibility and influence. Her advisers would be able to fulfil this role only if she saw them regularly, so that they were familiar with her thinking.

It would be important that a strengthened Prime Minister's office confined itself to an advisory function and did not try to adopt an executive role, for to do so would be bound to lead to serious difficulties between the Prime Minister and her colleagues. At the same time it was worth considering whether the proposed arrangements for improving the advice available to the Prime Minister would not be strengthened still more if more use was made of Ministers without Portfolios.

In further discussion the role of the CPRS was considered at some length. Originally the CPRS was set up as a custodian of the Government's strategy in the sense that it was expected to offer its own view of how the strategy was being implemented. Although it had been established to serve both the Cabinet collectively and the Prime Minister personally, it had always been the case that it spoke only for itself. It was seen by the rest of Whitehall as a source of independent advice for Ministers, and departments were ready to give it, in this capacity, the information which it wanted. To use it as was now proposed as part of the new arrangements for improving the advice available to the Prime Minister would mean a change in its relationship with the rest of Whitehall. That might be avoided if it could carry out its new function covertly, but it was difficult to see how it could, in practice, do that for very long.

In discussion it was pointed out that a foreign affairs, defence and intelligence unit need be no more than four or five strong, with half its members coming from Government departments and half from outside the Civil Service. It would be important, above all, to get the right people. One area where it might be possible to recruit an outsider was the banks, especially those with extensive overseas operations. The universities were plainly another source of recruits.

Another way of providing better foreign and defence policy advice for the Prime Minister might be to bring together under one head the Defence and Overseas Policy Secretariat of the Cabinet Office and the Intelligence Assessment Staff, who were now also in the Cabinet Office but separate from the secretariat. The head of this combined team could also be the Chairman of the Joint Intelligence Committee. It was also for consideration whether the present European unit of the Cabinet Office should be added to the new overseas affairs unit.

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The Prime Minister, summing up the discussion, said that, on balance, she was inclined to leave the CPRS with its present role unchanged and where it now was organisationally. Nor was it necessary to make major changes in the existing No 10 Policy Unit, though some enhancement might be desirable. What she now had in mind was to create in parallel with but separate from the present Policy Unit, a new unit of perhaps some four people to give her advice on foreign affairs, defence and intelligence matters. It would also cover Community affairs, but the existing European unit in the Cabinet Office should continue with its present functions. The new unit would be located in 10 Downing Street. Although the CPRS would remain outside No 10, it would need to work very closely with the two No 10 policy units. She would be grateful if you would now develop this concept, in conjunction with Sir Frank Cooper, Mr Sparrow and Mr Mount, and let her have detailed proposals as soon as possible.

I am sending copies of this minute to Sir Frank Cooper, Mr Sparrow and Mr Mount. I should be grateful if they would ensure that it is not seen by anyone else.

Kah

30 July 1982