



PERSONAL AND CONFIDENTIAL

MR. BUTLER

I have sent you a separate minute (Ref: A082/0244) proposing an early announcement of Sir Derek Rayner's withdrawal from the leadership of the Rayner Unit.

*Have deleted* . 2. The Press Notice assumes that the Rayner Unit will continue to be alongside the management and efficiency divisions of the MPO under the leadership of Mr. Clive Priestley. It leaves unspecified and open the arrangements for higher supervision of the Unit, and therefore the choice between Option I and Option II in Sir Derek Rayner's letter of 15th November.

3. We have understood that Option II would involve extracting a slightly enlarged Rayner Unit out of the MPO and putting it directly under a successor to Sir Derek Rayner (he suggested Sir Frank Cooper), with what was left of the management and efficiency divisions "brigaded in the rump of the MPO". I explained in my minute of 17th November why such a course would in my view be likely to have a devastating effect on the effectiveness, standing and morale of the MPO, and why I hoped we could leave the organisational arrangements as they are and take advantage of forthcoming changes in the higher reaches of the MPO to deal with the particular difficulties which have arisen because of personalities and which go wider than the Rayner Unit.

! ? 4. I gather that the Lord Privy Seal and Sir Derek Rayner have recently discussed these matters. In the course of that conversation the Lord Privy Seal told Sir Derek Rayner how important she thought it was to leave the Rayner Unit where it now is and not to reverse the change made last April when the present arrangements came into being. Sir Derek Rayner told the Lord Privy Seal that he agreed that the Unit should remain as and where it now is, but that the Prime Minister was considering the whole question of future reporting arrangements. He indicated two possible alternatives, both based on the assumption that the Unit stayed where it was in the MPO under Mr. Priestley. The first alternative, if Mr. Cassels





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took up the new appointment for which he had applied, would be for the Unit to be supervised by and responsible to the Prime Minister (and the Lord Privy Seal) through Mr. Cassels' successor. The other alternative (which seems to be a variant of Option II) would be to appoint a new Deputy Secretary in the MPO, reporting on the affairs of the Unit to Sir Frank Cooper who would stand in relation to the Prime Minister as Sir Derek Rayner has stood.

5. We cannot take this further until we know whether Mr. Cassels is going to get the appointment for which he has applied (or, failing that, some other appointment). I would only say that, if he did not move, I think that it would put him into a humiliating position to have his present responsibility in connection with the Unit removed and Sir Frank Cooper brought in alongside him (I have in any case some reservations about Sir Frank Cooper in this role, as you know). If Mr. Cassels were staying in the MPO, I think that the least bad course would be to bring in a suitable Deputy Secretary - all concerned are agreed that Mr. Michael Partridge of the Department of Health and Social Security would be a very suitable person - and arrange that in practice on the affairs of the Unit he had direct access to the Prime Minister, as Sir Derek Rayner has had and Mr. Cassels has in theory had, and as Mr. Hancock has on European affairs.

6. That is all for future consideration and discussion, depending on what happens to Mr. Cassels. The immediate point is that the Lord Privy Seal has now been made aware of Sir Derek Rayner's two Options (or a variant of them) and is clearly expecting to be involved in any future discussions of these matters.

7. I have not copied this to the Lord Privy Seal or to Sir Derek Rayner.

RIA

Robert Armstrong

26th November 1982