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Secretary of the Cabinet and Head of the Home Civil Service

PRIME MINISTER

RESTRUCTURING

It would be helpful to have another go over this ground on Monday.

Big picture

2. The present structure of Government has evolved historically and does not match your strategic thinking. We need to reshape it fundamentally to reflect your modernisation programme and your main big policies, especially on crime, education, transport and reform of the welfare state.

3. This means:

- i. **creating a Department for Justice to fight crime**, out of parts of the Home Office and the LCD, plus anti-drugs co-ordination;
- ii. **creating a Department for Home Affairs**, out of the rest of the Home Office with the Lord Chancellor's personal responsibilities, to be responsible for asylum and immigration and certain core functions of the State (human rights, freedom of information, fire and emergency planning etc);
- iii. **creating a new Department for Work** out of parts of DfEE, DSS and DTI, to deal with people of working age;
- iv. **creating a new Department for Education [and Sport]** out of the rest of DfEE and part of DCMS;

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- v. **creating a new Department for Social Security** out of the rest of DSS and, in the longer term, possibly part of the DETR, to provide a much sharper focus on security for those who cannot work because of disability or age or who are otherwise disadvantaged;
- vi. **strengthening the DTI** by transferring broadcasting and media from DCMS, and RDAs from the DETR;
- vii. **strengthening MAFF** by transferring to it Home Office functions relating to animal welfare, vivisection and foxhunting and minor DETR responsibilities for the countryside;
- viii. **creating a new Department for Transport and the Environment** out of those parts of the DETR which deal with transport, the environment and planning;
- ix. **creating a new Department for Local [and Regional] Government** out of the parts of DETR which deal with local government and regional policy. This could in due course be merged with the Offices for Scotland and for Wales and the Northern Ireland Office;
- x. **eventually creating two new departments, one dealing with the taxation of large businesses, the other with the taxation of individuals and small businesses.** These would be constructed out of the Inland Revenue, HM Customs and Excise and parts of DSS; they might involve the transfer of some investigatory functions to the Department for Justice; and they might be accompanied by some restructuring of the Treasury.

DfEE, the Home Office, the LCD, the DETR, the DSS, Customs and Excise, Inland Revenue and perhaps the Treasury would be split in the process; and the DCMS would cease to exist.

4. The first question is: do you agree with this big vision?

Timing

5. Having decided where you want to get to, you need to decide over what timescale. We cannot do it all at once. The disruption of business and the uproar of displaced personalities would be too difficult to manage. And we run into difficulty over the number of Cabinet Ministers.

6. I suggest that we plan to do this in three phases, each pretty big in its own right.

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Phase 1 on 14 July would be the first six or seven steps above:

splitting the Home office and the LCD to create the new Department for Justice and the new Department for Home Affairs;

splitting the DfEE and announcing the longer-term split of DSS to create the new Department for Education (but not Sport at this stage), the new Department for Work and the new DSS;

strengthening DTI with broadcasting and the media and the RDAs;

possibly strengthening MAFF with foxhunting, horse breeding, vivisection and more countryside.

Phase 2 would take place on the Monday following the next Election. The plan would be to:

form the new Department for Transport, Environment and Planning out of DETR;

form either the new Department for Local Government out of the rest of DETR or a new Department for the Constitution by adding in also Scotland, Wales and Northern Ireland;

wind up DCMS, with sport going to the Department for Education, and culture and the lottery going to either Home Affairs, or DTI or DET.

Phase 3: plan to restructure Inland Revenue, HM Customs and Excise and perhaps the Treasury a year or so into the next Parliament.

6. **The second question is: do you agree with this phasing?**

Further details of the Restructuring

7. We then need further guidance from you on some of the details of this restructuring.

8. There are a few areas which we have discussed, but which would be useful finally to confirm.

- i. Should **RDAs** transfer to DTI now, rather than when DETR is split post-election?

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- ii. Should **media** responsibility transfer to DTI from DCMS now?
- iii. On the assumption that DCMS will continue until the election, should we transfer into DCMS now responsibility for the **voluntary sector, gambling and liquor licensing**? If we move gambling, should horse racing and the Tote (in the course of privatisation) also transfer to DCMS?
- iv. Should this be accompanied by a transfer of responsibility for **animal welfare, vivisection and fox hunting** to MAFF? MAFF would continue to lead on house breeding issues.
- v. Should the co-ordinating responsibility for **drugs** transfer to the new Department for Justice now?
- vi. My earlier advice assumed that responsibility for **training for the 16-18** age group should go to the Department for Education. Is this right?
- vii. Should **adult learning** also remain with the Department for Education? (This could be accompanied by a strengthening of the machinery and Ministerial responsibility, as proposed in Andrew Adonis's recent note to you.) It would, however, remain an issue where the Departments for Education and for Work would need to work closely together: this could be built into the detailed arrangements.
- viii. I have put a separate note to you on the **youth** co-ordination responsibility. Should this too sit with the new Department for Education?

9. We have discussed the future of the DTI **employment relations** functions. When we last spoke, you said that you were concerned that the Secretary of State for Trade and Industry should not be overloaded in the run-up to the Election. With the transfer to DTI of RDAs and media responsibility, this is a risk. While I understand the concern that the Department for Work might reverse the DTI's business-focused approach to these issues, I think that underestimates the new business focus of the welfare to work agenda. It would be possible to transfer only the employment tribunal service and ACAS to the Department for work, but ironically this has a much higher 'union' input. I continue to prefer transferring the whole directorate, but with a very clear steer from you to the new Secretary of State, and from me to the new Permanent Secretary, that a business focus is essential.

10. Under the phase 1 changes, responsibilities for **equality** will remain oddly scattered. The Department of Home Affairs will lead on race equality,

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and the Department for Work on gender and disability with, the Women's Unit remaining in the Cabinet Office.

11. There is a good case for **bringing these equality functions together**, to streamline the machinery and to increase their effectiveness in communication etc. However, the logical home would be the new Department for Home Affairs, and the Ministerial responsibility might not sit well with the present Lord Chancellor. The only other serious contender is DSS. The options are, therefore, either to leave these functions where they fall until the Election or to bring them together in DSS. Are you content to leave equality issues where they fall for the time being, streamlining them in phase 2?

12. You also asked about options for strengthening MAFF's **countryside** focus. I attach notes on the two simplest options. However, if you adopt the phase approach above, I suggest leaving this until we make the changes to DETR. This would enable the changes to be represented as a follow through to the Rural White paper, rather than pre-empting it by moving the boundary now.

13. Finally, there is work which you may want to commission as part of the phase 1 changes.

- i. I think this is a good moment to grasp the nettle and say that the Government will review the role of the **Lord Chancellor**. This should include a clear statement that you propose to set up a judicial appointments commission during the next Parliament; that you intend to review the rest of the Lord Chancellor's judicial functions (he acts as Head of the Judiciary rather than a Minister in all sorts of statutes); and a commitment to review his role as "speaker" of the House of Lords as part of the next phase of Lords reform.

Are you content to commission this work? Derry Irvine may hate it but it is ripe for modernisation.

- ii. I recommend that the new Secretary of State for Justice should be given a clear remit to review the **national arrangements for organised crime**. This review - which again should be announced - should cover the role of HM Customs, NCIS, the national crime squad, the work of the intelligence agencies on crime, DTI's fraud functions and the proposed national confiscation agency. Unannounced, it should also examine the case for some form of national police force.

Content with this please?

- iii. Not for announcement, we would start after these changes to work up the details of restructuring the **DETR** and abolishing the

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DCMS, including options which would involve MAFF (although I am currently inclined to advise that the latter should remain largely unchanged except for modest additional countryside functions).

iv. The work on the new **Welfare to Work** agency should go ahead, with a much clearer lead from the new Department for Work, with the aim of setting up the agency from June next year.

AW,

RICHARD WILSON

23 June 2000

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