

PREM19

6

CIVIL SERVICE

(Manpower  
freeze)

(Part 2)

SB  
830

PREM 19/6

PART 2 ends:-

MAP to CSD

31.12.79

PART 3 begins:-

m/s CSD to PM

3.1.80







# INLAND REVENUE MANPOWER



Prime Minister

Inland Revenue  
manpower.

PM has seen

TL

FINANCIAL YEAR

TOTAL MANPOWER  
Includes Civilian + C/TIME

PERMANENT MANPOWER

70/71

72118

69170

71/72

75268

71290

72/73

77503

71287

73/74

75752

69745

74/75

79550

71997

75/76

82313

77510

76/77

85023

81578

77/78

87905

84880

78/79

86983

84593

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kc CO HS  
HMT Martin Hall



10 DOWNING STREET

*From the Private Secretary*

31 December 1979

The Prime Minister has considered your Minister's minute of 21 December on Civil Service manpower.

She has raised several points on this minute. First, she does not agree that we must necessarily be prepared to accept a Civil Service settlement in excess of the 14% figure approved by Cabinet for pay and price increases generally. Second, she cannot accept that we ought to plan on 2,500 additional staff if it is decided to tax short term benefits. In her view, we ought to find ways of economising, as no doubt a commercial company would do, so as to carry out this additional task without additional staff. Third, she feels that Ministers will need to consider very seriously the idea of nil recruitment again-- though she notes that Mr. Channon is himself proposing to consider this option. The Prime Minister's view is that this is the only sure way to reduce the Civil Service.

M. A. PATTISON

G.E.T. Green, Esq.,  
Civil Service Department.

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CB



① We must not accept

these surprisingly  
gross figures (2,500)

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for ten: 7 shorter length periods &

PRIME MINISTER business company would

do it with the same staff.

CIVIL SERVICE MANPOWER

I believe we need to press yet more strongly for reductions in the size of the Civil Service, learning the lessons of the recent exercise which both Christopher Soames and I, and the whole of our Department, found disappointing.

The first is that we must actually achieve the figures we announced. I am writing today to colleagues with proposals for securing them. Secondly, we must try to achieve as much as possible from the further policy issues which Cabinet agreed should be pursued: there are potential savings of up to 19,000 staff from the proposals in Annex 2 of the Lord President's paper.

Thirdly, when the reviews in the Ministry of Defence, Department of the Environment and Ministry of Agriculture, Fisheries and Food are complete, we must get the maximum savings from them. The Ministry of Defence is crucial in all this since it employs about 240,000 people - a third of the whole Civil Service.

What worries me most are the manpower levels next year. My officials have been scrutinising departments' manpower estimates very strictly to ensure that all savings that can be got in 1980-81, including of course the first tranche of the cuts announced on 6 December, are achieved. It is already clear that we will reduce the estimates submitted to us by around 4,000 staff. If that were the end of the story, it would produce a reasonably good figure for next year. But the additional bids already agreed by Cabinet are formidable and will come close to cancelling out all these reductions. So something more must be done.

X | I believe the most important new steps is to use the pay and cash limits system for a further squeeze.

We will have the chance of doing this next spring in the context of the 1980-81 pay settlement. The Pay Research evidence is not yet available. But current trends suggest that we must be prepared for a level above the general figure of 14% approved by Cabinet for pay and price increases. I believe we should pay the appropriate amount,

Primitivists

Agree with Mr Channon's general approach - and in particular the point at x?

2 PPS

② We shall have to reconsider the 27/12  
- not recruitment not redundancy  
The  
the only way to reduce  
the civil service cost

MS



since to do otherwise would involve our breaking the pay agreement unilaterally, but at the same time exert a further squeeze on Civil Service numbers to reduce the cost.

This year it was possible to squeeze by  $2\frac{3}{4}\%$  which is why the staff figures have gone down by 20,000. I would have thought that a further reduction next year of between 2% and 3% should be practicable. But we cannot do this unless the big departments, and in particular the Ministry of Defence, find their full share. You will recall the depressing effect the poor response by the large departments had on the last exercise.

Whether it would be helpful to couple this with another ban on recruitment will depend in part on the size of the reduction we judge to be necessary when we see the Pay Research evidence. I propose to consider this nearer the time.

There is also the question of future growth in the longer term. I am not suggesting that we abandon all desirable new ventures just to reduce the size of the Civil Service. But I think we must be very selective. The taxation of short-term benefits, which I strongly support, will require over 2,500 additional staff. I believe that in all other cases we must take the manpower implications much more seriously than in the past before deciding on new policies.

In the search for efficiency, Sir Derek Rayner's projects will make a valuable contribution. But they depend on the co-operation of the staff and the emphasis must be on efficiency rather than on cutting staff numbers.

There are bound to be strains on Civil Service staff relations if we pursue these policies. But reactions - so far at least - have in the main been restrained and sensible.

If you feel able to support us in all these ways of trying to cut the size of the Civil Service, then it will of course be a tremendous help.

P.C.

PAUL CHANNON

21 December 1979

27 DEC 1979





10 DOWNING STREET

PRIME MINISTER

Signs of vigorous  
follow-up in manpower  
by Mr Channon.

A visit to CSD  
would be timely:

we could try

January 11, now that  
Wales is cancelled.

Over

MP  
21/11





**with compliments**

MINISTER OF STATE

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CIVIL SERVICE DEPARTMENT  
Whitehall London SW1A 2AZ

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Civil Service Department  
Whitehall London SW1A 2AZ  
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Minister of State

The Rt Hon William Whitelaw CH MC MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
LONDON SW1H 9AT

21 December 1979

Dear Willie,

I am sure that you will agree that both our supporters and the general public look upon the reductions in Civil Service manpower announced on 6 December as no more than a start. They will expect us to achieve the announced savings in full but also to see continuing evidence that we remain committed to the search for greater economy and efficiency in the Civil Service and to the elimination of all but essential functions.

It is, therefore, imperative that we should press ahead vigorously on all of these fronts. So I am writing to colleagues to ask their help in enabling me to keep an overall watch on the implementation of the savings announced on 6 December and on progress towards achieving the potential further savings discussed in Cabinet. I will want to report periodically to the Prime Minister. My Department will also have to respond effectively to the new Treasury and Civil Service Committee, which has already expressed a specific interest in the manpower reductions exercise and how the cuts will be monitored. Edward du Cann has indicated to me that they will probably ask me to give evidence on this topic in January.

... First, on timing. I attach at Annex A the timetable for the savings in your Department which I understand has been discussed at official level and should be grateful if you would confirm that it is right. It is essential that it should not slip and, if you can improve on it, I would welcome whatever changes you wish to suggest. Some flexibility may be needed to avoid costly redundancies but any deferment of particular savings on that account should be made good by bringing forward other savings.

Secondly, although the overall total of savings to be made in each department is a firm figure, a number of colleagues indicated that they wished to retain discretion about the precise way in which these savings were made or to vary the options if any of those they had chosen proved to be unattainable. In the former case, I would like to know the nature of the savings to be made as soon as they are decided upon; and, in the latter, of any significant variations in the original options and how it is proposed to make compensating savings. I shall certainly be questioned by the Treasury and Civil Service Committee on this.

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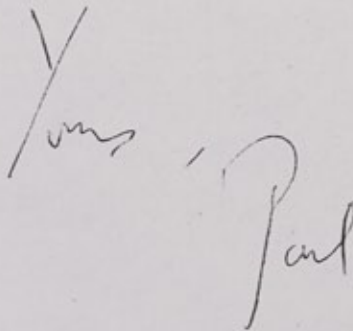
Thirdly, I should like to keep a close track on the possible measures for future savings noted in Annex 2 to C(79)57 as requiring collective Ministerial discussion or consultation with outside organisations, and on the progress of the various reviews which have been put in train. These are shown, where appropriate, at Annex B. I should be grateful if those colleagues concerned could let me know by 20 January by what date they expect consideration of these issues to be completed. I shall, of course, need to know the outcome as soon as possible.

Fourthly, in view of the minute dated 14 December from the Prime Minister to members of the Cabinet about further reductions in expenditure plans, I should be grateful if all our colleagues would also ensure that any opportunities for saving staff that arise as a result of their re-examination of expenditure plans are pursued. More generally, I should like to hear as quickly as possible about any manpower implications of the new expenditure cuts that are proposed.

Fifthly, I am sure that all colleagues will regard it as a personal responsibility to search for further means of reducing Civil Service costs. It would be helpful if I could be informed as soon as the scope for additional worthwhile savings is identified.

You are already going to let me have quarterly statements of your staff in post, and I should be grateful if you would watch these figures very carefully. But it is of the utmost importance to keep further commitments to the minimum. Otherwise the savings we make will be cancelled out by the demands of additional work. We have already agreed to a substantial amount of growth in Civil staff manpower in the future to meet inescapable needs. We cannot afford more. Save in the most exceptional circumstances, it must be the rule that any need for extra staff arising from new measures must be offset by savings in other parts of the department or departments concerned. Confirmation that such an offset will be made should be included in any paper relating to new initiatives (including amendments to existing legislation) put forward for Ministerial consideration. If exceptionally that is not possible, the paper should include a brief statement of the unavoidable additional manpower required for the proposals. The "demand-led" areas pose a special problem but even here we cannot let growth be automatic. I am sure that those colleagues concerned will do their utmost to ensure that ways of moderating demand and of streamlining their procedures to deal with it are fully explored.

I am copying this to all members of Cabinet, to Norman Fowler and to Sir Robert Armstrong.



PAUL CHANNON



## SAVINGS BY FINANCIAL YEAR

(1979 survey prices: savings rounded to nearest £0.1m and nearest 5 staff)

Department	1980-81		1981-82		1982-83		1983-84		1984-85	
	£m	Staff	£m	Staff	£m	Staff	£m	Staff	£m	Staff
MOD	13.6	2500	27.3	5000	41.0	7500	41.0	7500		
FCO	2.5	140	3.5	190	5.4	295	6.0	425		
ODA	0.6	65	1.4	180	2.0	230	2.1	235		
Agriculture										
MAFF	0.7	5	0.7	5	2.6	265	3.4	370	4.1	470
IBAP*	1.2	2	2.1	4	2.1	4	2.1	4		
Industry	1.0	165	3.3	545	6.3	1020	8.0	1285		
Trade										
DT	0.8	105	2.1	330	3.0	455	3.0	455		
OFT*	0.1	19	0.2	44	0.3	70	0.3	70		
ECGD	0.4	80	0.5	110	0.8	145	0.8	145		
DEn*	0.1	16	0.4	56	1.0	152	1.0	152		
Employment										
DEm	6.5	1545	9.9	2345	10.7	2535	11.1	2615		
MSC	4.1	700	10.7	1850	17.1	2950	20.2	3400		
HSE	0.6	65	1.7	195	2.2	260	2.2	260		
ACAS	0.5	50	0.7	70	1.0	100	1.0	100		
Transport	0.4	110	0.6	150	13.1	2480	13.1	2480		
Environment										
DOE	-	-	2.4	365	6.1	940	8.1	1260		
OS	-	-	-	-	1.8	360	1.8	360		
SA	9.4	365	22.0	2660	29.2	4730	29.2	4730		

\*Staff figures unrounded

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Department	1980-81		1981-82		1982-83		1983-84	
	£m	Staff	£m	Staff	£m	Staff	£m	Staff
Home Office	0.8	115	2.2	345	3.0	460	3.0	460
Lord Chancellor								
LCD	0.2	50	0.5	125	0.6	150	0.6	150
Laird Registry	0.3	75	0.5	135	0.8	195	0.8	195
PRO*	-	-	0.2	39	0.2	39	0.2	39
Public Trustee*	-	23½	0.1	36	0.1	52	0.2	63
DES	0.4	110	0.9	155	1.0	155	1.0	155
Arts and Libraries (including Departmental museums)	0.1	15	0.2	25	0.2	35	0.2	35
Social Services								
DHSS	1.3	430	4.9	1190	7.3	1645	8.3	1705
OPCS	1.1	45	5.0	170	2.1	260	2.1	275
Chancellor of the Exchequer								
Treasury	0.1	15	0.2	15	0.4	40	0.4	40
C&E	1.1	220	2.1	425	2.3	465	2.3	465
IR	12.9 <sup>x</sup>	3790 <sup>x</sup>	17.3 <sup>x</sup>	5050 <sup>x</sup>	19.0	5515	19.0	5515
DNS	2.6	625	3.7	900	4.2	1020	4.4	1070
Mint	-	-	-	-	-	135	-	135
Registry of friendly Societies*	-	-	-	3	-	3	-	3
NDO/PWCB*	-	10	0.1	17	0.1	18	0.1	18
Lord President								
CSD	0.3	25	0.9	85	2.1	275	2.3	280
COI	0.1	35	0.4	80	0.8	140	0.8	140
HMSO	0.6	370	0.9	470	3.0	655	4.0	900

\*Staff figures unrounded

xSubject to legislative changes

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<u>Department</u>	<u>1980-81</u>		<u>1981-82</u>		<u>1982-83</u>		<u>1983-84</u>	
	<u>£m</u>	<u>Staff</u>	<u>£m</u>	<u>Staff</u>	<u>£m</u>	<u>Staff</u>	<u>£m</u>	<u>Staff</u>
Scotland	0.7	230	1.9	460	3.3	690	3.9	690
Scottish Office	0.1	14	1.0	26	0.4	38	0.4	38
GRO(Scotland)*	-	-	-	-	0.1	8	0.1	8
Scottish Courts Administration*	0.4	65	1.1	175	1.5	240	1.5	240
Forestry Commission	0.7	110	1.1	180	1.6	235	1.6	235
Welsh Office	0.5	50	0.7	120	0.7	120	0.7	120
Northern Ireland Office								

\*Staff figures unrounded

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Ministry of Defence

Reviews:

- Work of R & D Establishments
- Supply arrangements for the Armed Forces
- Role, organisation and structure of Royal Dockyards

ANNEX B

Ministry of Agriculture

Review:

- Management Review (regional organisation)

ANNEX B

Department of Industry

Policy etc studies:

Expected savings

	<u>£m</u>	<u>Staff</u>
Reduction in common services consequent upon savings from policy studies in the Department of Trade	0.3	50

ANNEX B

~~Staff~~ Trade's Department  
Department of Trade

Policy etc studies:

Expected savings

	<u>£m</u>	<u>Staff</u>
Removal of bankruptcy from Insolvency Service	3.0	570
Abolition of the Registry of Business Names	0.3	65
Abolition of the discretionary power governing undesirable company names	0.1	25
Abolition of import surveillance licensing	0.1	20



ANNEX B

Department of Energy

Expected savings

Policy etc studies:

Further reductions in Gas Standards Branch

<u>£m</u>	<u>Staff</u>
0.1	30

ANNEX B

S of S for Employment's Departments  
Department of Employment

Expected savings

Policy etc studies:

Deferment of entitlement of school leavers to supplementary benefit in their own right

<u>£m</u>	<u>Staff</u>
0.5	145

Withdrawal of claimants option for weekly signing and payment in fortnightly system

<u>£m</u>	<u>Staff</u>
1.1	300

Manpower Services Commission

Policy etc studies:

Introduction of voluntary quota policy for the employment of disabled persons

<u>£m</u>	<u>Staff</u>
0.6	100

Advisory, Conciliation and Arbitration Service

Policy etc studies:

Amendment of recognition provisions of Employment Protection Act 1975 Section 11

<u>£m</u>	<u>Staff</u>
0.3	30

ANNEX B

Department of Transport

Expected savings

Policy etc studies:

First registration of vehicles by Post Office

<u>£m</u>	<u>Staff</u>
-	200

Change to tax on possession of vehicles

<u>£m</u>	<u>Staff</u>
1.0	200

Roads and local transport policy changes

<u>£m</u>	<u>Staff</u>
0.2	45

~~Section for the Environment's Department~~  
Department of the Environment (including PSA)

## Reviews:

Putting more of PSA's work out to private contractors

District Audit Service

General review of department's functions

## ANNEX B

Department of Education and Science

## Policy etc studies:

Reduced involvement in education building, abolition of youth service capital grants, transference of responsibility for certain expenditure to UGC and universities, reduced work on health and safety, and abolition of Computer Board

## Expected saving

<u>£m</u>	<u>Staff</u>
0.3	55



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S of S for Social Services Departments

Expected savings

DPSS£mStaff

## Policy etc studies:

Changes in the method of paying social security payments	30.0	Not known
Employers' sick pay for first 6 weeks of benefit	21.0	5000
Unified Housing Benefit	12.5	2900
Simplification of supplementary benefit for first 13 weeks	4.0	1000
Replacement of supply of wheel-chairs by cash	1.8	350
Making maternity grant non-contributory	1.1	225
Transferring functions to the NHS and London University	0.7	120
Simplification of the legal aid scheme	0.4	75
Pharmacopoeia Commission to the Pharmaceutical Society of GB	0.3	30
Abolition of injury benefit	0.2	50
Ceasing payment of special hardship allowance at pension age	0.4	100
Medical Practices Committee to the NHS	0.1	20
Reduction in level of Medicines Divisions work on the safety, quality and efficacy of medicines	0.1	15
Reduction in common services arising from above options	1.0	185

OPCS

## i. Policy etc studies:

Abolition/reduction of Cervical Cytology Recall Service	0.2	70
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## ii. Reviews:

Review of Social Survey work by Central Statistical Office		
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ANNEX B

Chancellor of the Exchequer's DepartmentsTreasury

Expected savings

## Policy etc studies:

Abolition of the Procurement  
Section of UK Treasury  
and Supply Delegation,  
Washington

	<u>£m</u>	<u>Staff</u>
	0.3	-
	0.3	35

Scaling down Rating of Government  
Property Department

Customs and Excise

## Policy etc studies:

Compulsory de-registration of  
small VAT traders

2.0

400

Restructuring excise control on  
wines and spirits

1.7

440

Reduction in control of imports  
and facilities available to  
importers

1.0

235

Production of main trade statistics only  
and reduction of service to industry

0.8

220

Merger of functions of VAT  
tribunals and of Special  
Commissioners of Income Tax

0.2

20

Abolition of VAT monthly returns

0.2

15

Conversion of beer duty to an end  
product duty

0.2

45

Inland Revenue

## Policy etc studies:

Ending Overseas Child Tax Allowances

0.2

50

Paying all staff monthly by  
direct credit

0.5

100

Abolition of overseas earnings relief

1.5

450

Abolition of lower rate band

4.4

1300

End "averaging" for farmers' incomes

0.5

140

Operation of PAYE on fringe benefits

0.9

250

Operation of PAYE on holiday pay

0.4

100

Related staff

0.3

95

Budgetary measures (unspecified)

12.2

2910

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Northern Ireland Office

## Expected savings

## Policy etc studies:

	<u>£m</u>	<u>Staff</u>
Further savings in areas not vitally concerned with law and order	0.4	35

Forestry Commission

## Expected savings

## Policy etc studies:

	<u>£m</u>	<u>Staff</u>
Discontinuation of agency work for the Department of Transport on motorways and trunk roads	0.7	170

Paymaster General's Office

## Expected savings

## Policy etc studies:

	<u>£m</u>	<u>Staff</u>
Ending weekly payment of pensions	0.7	-
Removing overlap of pensions administration with DHSS	0.1	30

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21 DEC 1979

12 1 2 3 4  
5 6 7 8 9

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**with compliments**

MINISTER OF STATE

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CIVIL SERVICE DEPARTMENT  
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Civil Service

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Minister of State

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01 - 273 3000 (Switchboard)

Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

21 December 1979

Dear Chancellor

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

I have seen <sup>TIM</sup> your letters of 20 December to Willie Whitelaw and John Nott about your options for staff savings in the level of Customs and Excise control of imports and the facilities available to importers, and in the Customs and Excise Statistical Office respectively.

These proposals are an important part of the savings for your Department which were agreed at the bilateral discussion you had with Christopher Soames. I hope therefore that our colleagues will agree to your proposals although I know that there will be some problems as a result.

I am copying this to the recipients of your letters.

*Yours sincerely*  
*Geoffrey Howe*

f.p. PAUL CHANNON

(Approved by the Minister of State and signed in his absence)

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27 DEC 1970



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1. T/L G see Civil Service  
2. PRIME MINISTER

To note the Chancellor's proposal for further staff savings, with some effect on trade statistics.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

20 December, 1979

MAP 20/11

*John*

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE: VISIBLE TRADE STATISTICS

I am writing to you, in your capacity as Minister responsible for presenting the trade statistics to Parliament, about one of our options in the current exercise to reduce the size of the Civil Service. After considering the possible alternatives I have identified some 220 posts which could be saved by a further reduction in the Customs and Excise Statistical Office. This would involve a cut of just over 25 per cent in the Office, over and above the reductions already made.

The option would involve accepting a deterioration in the overall accuracy of the monthly overseas visible trade statistics, both in their import and export content, and could lead once again to a substantial degree of under-recording of exports (though Customs would delay as much of the adverse effect as possible until the improved statistical procedure for exports is introduced in 1981). Loss of accuracy might well provoke adverse reactions from the EEC and from our own business community.

It would also be necessary to reduce the degree of detail in which the statistics are presented. There are, however, limitations on the extent to which this can be done in view of our obligations to the EEC.

In addition to the published monthly trade figures, Customs and Excise provide a good deal of detailed statistics to other Government Departments, trade organisations and

/individual

The Rt. Hon. John Nott, M.P.

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individual firms. A major part of this service would have to be discontinued either because the detailed figures would no longer be available or because the Customs would not have sufficient staff available to ensure their accuracy.

*mt* Though these savings will reduce somewhat the accuracy and detail of the statistics on visible trade and reduce the amount of information made available to users, it is my judgement that these savings should be made. This option is, of course, quite separate from the across-the-board review of statistical work in Departments that is to be mounted.

I should be grateful to know that I have your backing (and that of other recipients of this letter) in pressing ahead with it.

I am copying this to Peter Carrington, Keith Joseph, Peter Walker, George Younger, Nicholas Edwards, Humphrey Atkins, David Howell and Norman Fowler, and to the Prime Minister and Christopher Soames for information.

A handwritten signature in black ink, appearing to be 'G. Howe', written over a horizontal line.

(GEOFFREY HOWE)

20 DEC 1979







Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

The Rt Hon Francis Pym MC MP  
Secretary of State  
Ministry of Defence  
Main Building  
Whitehall  
LONDON SW1A 2HB

14 December 1979

Before he left, Christopher Soames asked me to reply to your letter of 22 November about morale in the Civil Service. I share your view that this is crucial. This is a problem which is not confined to the Ministry of Defence but which is also acute in other departments, some of whom have now agreed large percentage staff reductions. This problem is very much in our minds. At the same time, I know that we are also agreed that there is still much scope for improving efficiency and reducing staff. Christopher Soames and I are hoping for large results from your present reviews in the Ministry of Defence.

In your letter you make some points about the managerial unsoundness of our common approach. Since you wrote with a list of detailed points on 11 June my officials have spent a good deal of time in discussing with yours what specific changes in Civil Service management you would like to make.

There are studies in progress by officials on two important points - the best way of settling industrial pay, and of relating pay to performance. On the first topic, I understand that an MOD paper was considered by officials last week, and I shall shortly be writing to you suggesting how we might best proceed. On the other topics that were raised earlier in the summer I now think we need specific proposals. I have had the opportunity of a preliminary talk with Euan Strathcona and would be delighted to come to see either you or him at any time.

I am sure that we must now take urgent steps to look at specific proposals rather than generalities and would welcome a discussion at a very early date.

A copy of this letter goes to the Prime Minister.

PAUL CHANNON



14 DEC 1979



**CONFIDENTIAL***Civil Service  
✓MAP*

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Paul Channon Esq MP  
Civil Service Department  
Whitehall  
LONDON SW1A 2AZ

12. December 1979

*Dear Paul,*

## REDUCING THE SIZE OF THE CIVIL SERVICE

The Chancellor of the Duchy of Lancaster sent me a copy of his letter to you of 28 November about the legislative implications of proposals to reduce the size of the Civil Service.

My option involving the partial abandonment of university building controls would not require legislation and so there are no implications for the Education (No 2) Bill.

I am copying this letter to the Prime Minister, to the Chancellor of the Duchy of Lancaster, to the Secretary of State for Energy, to the Chief Whips in the Commons and Lords, and to Sir Robert Armstrong.

*Yours ever**Mark*

MARK CARLISLE

**CONFIDENTIAL**

12 DEC 1979





## CIVIL SERVICE MANPOWER CUTS

The Government believes it is in the national interest to reduce the role of government in our lives. It is also determined to control public spending so that more of our resources can be concentrated in those areas which will lead to real economic growth. The announcement yesterday (Thursday 6 December) by Lord Soames, Lord President of the Council, of substantial cuts in the Civil Service, is an important contribution to both these objectives. Our aim is to cut out unnecessary bureaucracy, which the country does not want and cannot afford.

Already this year 20,000 civil service posts have been cut. And a further 40,000 are to go by 1982/3. 40,000 fewer civil servants represents a saving of about £212 million a year. That is no small saving. And it is not the end.

More savings are expected from reviews now going on in some Departments (MOD, DOE, DHSS) but which are not yet completed. And Sir Derek Rayner, the Managing Director of Marks & Spencer, is already helping us achieve greater economy and efficiency in central Government administration. 30 separate Rayner projects are already completed or near completion in different Departments. They are only the start. The Government has now embarked on a rolling programme of such projects in all Departments with the aim of asking (a) Why is this job done at all? (b) Could it be done in a more economical and efficient way? And arrangements have also been made to see that the cost-cutting lessons learned in one part of the Service are applied elsewhere.

This is not an attack on the Civil Service. The cuts in staff are strictly related to cuts in functions. And these have been carefully selected on their merits. The targets have been services which are not essential or are better left for others to do. Most if not all the cuts in staff should be achieved by natural wastage.

Our prime concern is to ease the cost of central Government administration on the country and to ensure that the tax-payer gets value for money.

Paymaster General's Office  
Privy Council Office  
68 Whitehall  
LONDON SW1

7 December 1979



civil service Manpower file

pa

MA

cc Mr Peterson

Mrs Miller CSD.

BACKGROUND NOTE FOR DEFENSIVE USE AT LOBBY

Reductions in Civil Service Manpower

Those on the public pay roll located at 10 Downing Street are a part of the Civil Service Department's complement.

Such staff serving the current Prime Minister show a reduction of seven from the complement at the beginning of 1979. The reductions are one Private Secretary post, two Press Office posts, and a Policy Unit which is two posts smaller (and one of the remaining Policy Unit posts is now <sup>is</sup> part-time). Two supporting staff members have also been saved alongside these reductions.

Outside these areas of No. 10 the complement of the Prime Minister's office has not changed in the course of 1979, although we have from time to time had to draft in extra temporary help to deal with the enormous volume of letters addressed to the new Prime Minister.

Staff in post at 10 Downing Street as at 1 December 1979 on CSD books were ninety, plus three part-time. These include two Special Advisers. The staff in post figure is not a reliable guide, because the constant turnover of staff seconded from other Departments sometimes creates temporary gaps and sometimes involves double staffing for several weeks during handover.



Sir Derek Rayner and his small office are also on the books of CSD, and are theoretically part of the Prime Minister's staff, but they are not located at 10 Downing Street. There are also certain staff located at No. 10 carried on the books of other Departments or authorities:-

Department of the Environment: drivers, custody guards

Post Office: telephonists

Metropolitan Police: detectives, police.

Embargo: Not for publication before 15.30 hrs  
6/12/79

PARLIAMENTARY STATEMENT

PA

MS

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

Mr Speaker, with your permission and that of the House, I should like to make a statement about the Government's review of the size and cost of the Civil Service.

We undertook this review for three main reasons. First, we believe that it is in the national interest to reduce the role of Government. Secondly, at a time when public expenditure as a whole has to be restrained, it is right that there should be a contribution from central Government administration. Thirdly, it is essential to examine any large organisation, public or private, from time to time and prune those activities which may have been undertaken for good reasons but which are now less necessary.

This is a report on the progress we have made so far. All Ministers have conducted an initial examination of the activities of their departments to identify the savings which can be made, whether by increased efficiency or by the abolition or curtailment of functions. As a result, we will be making savings right across the Civil Service. The scope for this varies between departments. At one end of the scale, the Department of Transport has identified savings amounting to some 18%. In other departments the scope is much smaller, but even in the fields of law and order and defence, to which as the House knows the Government attaches a particularly high priority, some valuable savings will be made.



This review will lead to annual savings in Civil Service staff costs of about £212m, most of which will be achieved by the financial year 1982-83. The net effect on public expenditure will however be less than this because some of the savings will come from putting work, which will have to be paid for, out to the private sector. In terms of staff numbers, the savings total some 40,000. This is in addition to the steps we have already taken to reduce expenditure on Civil Service manpower this year, saving some 20,000 posts - 60,000 in all. The Government's aim will be as far as practicable to secure the reductions by natural wastage.

The savings that will be made by departments as a result of the decisions I am announcing today will be shown in general terms in a table in the Official Report, and copies are available in the Vote Office. Details of the savings are of course the responsibility of the Departmental Ministers concerned.

These are the savings which it has been possible to identify reasonably quickly by examining a series of options across the Civil Service as a whole. The next stage will include a number of policy studies in some departments such as the Department of Health and Social Security, and reviews of activities already set in progress, particularly in the Ministry of Defence and the Department of the Environment.

The search for greater economy and efficiency will of course go on throughout the life-time of this Parliament. All Ministers will



continue to keep the work of their departments under close scrutiny and the House will be kept informed of progress from time to time. Sir Derek Rayner will assist in particular projects to improve efficiency and value for money.

I will not try to predict the future size of the Civil Service, but we have reversed the major expansion which took place under the last Government. Our predecessors planned for a Civil Service of 748,000 by April next year. The numbers now stand at 712,000. As a result of our scrutiny, though there may be short-term fluctuations, the general trend from now on will continue downwards.

The size of the Civil Service must always depend upon the duties the Government of the day asks it to undertake. The fact that this Government set out to identify areas in which the range of work can be narrowed, and to improve the efficiency with which the rest of the work is done, is no reflection on the conscientiousness and ability with which civil servants at all levels have carried out the tasks they have been given. I am glad to pay tribute to these qualities, as I am sure is the whole House.



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- Mon or Tues

CIVIL SERVICE MANPOWER  
TABLE OF SAVINGS

<u>Department</u>	<u>£m</u> (at 1979 survey prices)	<u>Staff</u> (approximate)
Ministry of Defence Various economies and placing some work currently done in-house out to contract (in particular cleaning and catering); administrative economies from such measures as changing the arrangements for paying salaries and wages and for bill paying; further changes in arrangements for quality assurance, involving greater reliance on industry.	41.0	7500
Foreign and Commonwealth Office and Diplomatic Service Closure of some overseas posts; reduction in the size of the largest overseas missions and in staff numbers in the UK.	6.0	425
Overseas Development Administration Reductions in staff and programmes in headquarters and at the Scientific Units.	2.1	235
Ministry of Agriculture, Fisheries and Food Simplification of capital grant schemes and other minor savings.	4.1	470
Department of Industry Conversion of National Maritime Institute into a non-governmental Research Association or other industrial research laboratory; programme cuts at remaining Industrial Resesearch Establishments; reductions in regional organisations mainly resulting from revised regional package; staff savings following expiry of Industry Schemes; and reductions in statistical, Establishment, and support services.	7.9	1,290



<u>Department</u>	(at 1979 <sup>£m</sup> survey prices)	<u>Staff</u> (approximate)
Department of Trade Changes in companies registration; reduction in some export promotion and commercial relations activities and in various civil aviation and marine functions; continuation of transfer of work to the European Patent Office; abolition of the Metrication Board.	3.1	455
Office of Fair Trading Extension of validity of consumer credit licences.	0.3	70
Export Credits Guarantee Department Computerisation for short-term business, and other procedural changes.	0.8	145
Department of Energy Reductions in activities of the Offshore Supplies Office, the Gas Standards Branch, and other services.	1.0	145
Department of Employment Further savings from computerisation, fortnightly attendance and payment, and administrative improvements in Unemployment Benefit Offices; extending qualifying period for unfair dismissal to one year, dropping permanent scheme for short time working compensation and other savings.	10.9	2,575
Manpower Services Commission Reductions in employment and training services.	20.2	3,400
Health and Safety Executive Selective reductions in activities	2.2	260
Advisory, Conciliation and Arbitration Service Extending qualifying period for unfair dismissal to one year, and other savings.	1.0	100
Department of Transport Changes in the operation of Vehicle Excise Duty, in arrangements for inspection of heavy goods vehicles, and other savings.	13.1	2,480

<u>Department</u>	<u>£m</u> (at 1979 survey prices)	<u>Staff</u> (approximate)
Department of the Environment and Ordnance Survey	9.9	1,620
Simplification of housing and planning procedures; changes in research organisation and programmes; disbandment of Economic Planning Councils and other fringe bodies; other reductions in functions and support services.		
Property Services Agency	29.2	4,730
Reduction in building and dispersal programmes; contracting out maintenance of government buildings and general economy measures.		
Home Office	2.9	460
Improved efficiency generally and miscellaneous savings in areas other than prisons, police support and immigration control.		
Lord Chancellor's Departments	1.9	450
Savings from improved efficiency, computerisation, and some reduction in services at the Public Record Office.		
Department of Education and Science	1.0	155
Less intervention in matters which are the direct responsibility of Local Education Authorities and other agencies, and modifications in procedures.		
Department of Health & Social Security	8.3	1,705
Measures to improve efficiency and simplify procedures in social security administration. Savings in health and personal social services work through implementation of Government policy for less intervention in the activities of the National Health Service and local authorities.		
Office of Population Censuses and Surveys	1.3	275
Savings in most areas of the department, including statistical, census and survey work.		



<u>Department</u>	<u>£m</u> (at 1979 survey prices)	<u>Staff</u> (approximate)
Treasury Abolition of certain functions, including Exchange Control, and other reductions.	0.4	40
Customs and Excise Abolition of Exchange Control checks and savings in general administration.	2.3	465
Inland Revenue Savings from measures in the 1979 Budget and Finance Act; the cancellation of rating revaluation; changes and simplifications in administration and procedures including reduced checking of repayments of tax, a reduction in statistical work, the abolition of continuous referencing for rating purposes, reduced spot checks of local authority valuation work, less information passed to local tax districts, changes in PAYE procedures.	19.0	5,515
Department for National Savings Completion of mechanisation of National Savings Bank; termination of British Savings Bonds and industrial group savings.	4.4	1,070
Civil Service Department Reductions in Civil Service Commission and Civil Service College and in various departmental functions and support services.	2.3	280
Central Office of Information Savings in the home service and through computerisation and general economy measures, and savings in overseas services including export promotion.	0.8	140

<u>Department</u>	<u>£m</u> (at 1979 survey prices)	<u>Staff</u> (approximate)
Her Majesty's Stationery Office Anticipated reduction in demand for HMSO services; measures to increase efficiency; rationalisation of publications distribution organisation.	4.0	900
Scottish Office Reductions in functions, largely in parallel with similar reductions in equivalent Whitehall departments.	3.9	690
Forestry Commission Improvements in efficiency, cutbacks in the planned planting programme and reduced provision for public recreation.	1.5	240
Welsh Office Miscellaneous savings, largely in parallel with similar reductions in equivalent Whitehall departments.	1.6	235
Northern Ireland Office Savings in areas not vitally concerned with law and order.	0.7	120
Other Departments	3.1	325
TOTAL	<u>212.2</u>	<u>39,000</u>



## Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard      06/12/79  
Columns 627-638                  Civil Service (Size and Cost)

Signed Wayland      Date 24 October 2009

**PREM Records Team**

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TAP  
b.c. Mr. Ingham

10 DOWNING STREET

From the Private Secretary

B/F 7-12-79  
with a thousand of 6/12

5 December 1979

Thank you for your letter of 5 December, with which you enclosed a revised version of the draft statement on reductions in the size of the Civil Service which the Lord President intends to make in the Lords on 6 December, and which your Minister will repeat in the Commons on the same day.

The Prime Minister is satisfied that the statement now properly reflects the continuous nature of the exercise on Civil Service manpower and is content with your explanation of the problems with a specific reference to the volume of annual wastage.

The Prime Minister has noted the reference in paragraph 4 to the net effect on public expenditure. She considers that Mr. Channon will need to be armed with a figure that can be quoted in responding to supplementaries if not in the statement itself.

Subject to this point, the Prime Minister is content with the revised draft; it might be helpful for us to have a word about the public expenditure question early tomorrow morning.

I am sending copies of this letter to John Stevens (Chancellor of the Duchy of Lancaster's Office), Richard Prescott (Paymaster General's Office), Murdo MacLean (Chief Whip's Office) and Martin Vile (Cabinet Office).

M. A. PATTISON

SB.

G.E.T. Green, Esq.,  
Civil Service Department.

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Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

M Pattison Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
LONDON SW1

5 December 1979

Dear Mike,

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

Thank you for your letter of 3 December which confirmed the points which you had told me earlier had been raised by the Prime Minister in relation to the proposed Parliamentary Statement.

... I now attach a revised version of the draft Statement, which incorporates amendments suggested by Ministers and Sir Robert Armstrong following Mr Channon's letter of 28 November to the Home Secretary. As you will see, this revised version conveys at a much earlier stage than did the original the idea of continuous process.

You and I had a word on the telephone yesterday about the Prime Minister's suggestion that we should include a reference to the volume of annual wastage. I told you that wastage is running at between 10 and 12%. To mention wastage in percentage terms (or in absolute terms) would risk eliciting the riposte that the results of the exercise so far are less than we could have achieved by, say, banning recruitment for a year. Such an observation would of course be completely misleading since many posts occupied by those who waste are essential, but we suggest that it would offer an unnecessary hostage to fortune to include in the Statement a reference that might provoke that sort of reaction. The point may of course be raised, in any case, as a supplementary, and CSD Ministers will be briefed accordingly. Secondly, it might well be claimed that such a large annual wastage must surely indicate that there will be no question of any redundancies as a result of the Government's decisions. This is not so, because of the likely incidence of the cuts; there will probably be some redundancy, though not a great deal. But again it seems better not to open up the question.

If the Prime Minister is content, therefore, the Lord President will make the Statement in the House of Lords on Thursday,

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6 December in the terms of the attached draft. Mr Channon will repeat it in the Commons on the same day.

I am copying this to John Stevens in the office of the Chancellor of the Duchy of Lancaster, Richard Prescott (Paymaster General), Murdo MacLean (Chief Whip), Bernard Ingham (No 10 Press Office) and to Sir Robert Armstrong.

*Gay Roges*

*pr* G E T GREEN  
Private Secretary

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DRAFT PARLIAMENTARY STATEMENT

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

My Lords, with the leave of the House, I should like to make a statement about the Government's review of the size and cost of the Civil Service.

We undertook this review for three main reasons. First, we believe that it is in the national interest to reduce the role of Government. Secondly, at a time when public expenditure as a whole has to be restrained, it is right that there should be a contribution from central Government administration. Thirdly, it is essential to examine any large organisation, public or private, from time to time and prune those activities which may have been undertaken for good reasons but which are now less necessary.

This is a report on the progress we have made so far. All Ministers have conducted an initial examination of the activities of their departments to identify the savings which can be made, whether by increased efficiency or by the abolition or curtailment of functions. As a result, we will be making savings right across the Civil Service. The scope for this varies between departments. At one end of the scale, the Department of Transport has identified savings amounting to some 18%. In other departments the scope is much smaller, but even in the fields of law and order and defence, to which as the House knows the Government attaches a particularly high priority, some valuable savings will be made.

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This review will lead to annual savings in Civil Service staff costs of about £212m, most of which will be achieved by the financial year 1982-83. The net effect on public expenditure will however be less than this because some of the savings will come from putting work, which will have to be paid for, out to the private sector. In terms of staff numbers, the savings total some 40,000. This is in addition to the steps we have already taken to reduce expenditure on Civil Service manpower this year, saving some 20,000 posts - 60,000 in all. The Government's aim will be as far as practicable to secure the reductions by natural wastage.

The savings that will be made by departments as a result of the decisions I am announcing today will be shown in general terms in a table in the Official Report, and copies are available in the *Printed Paper* Office. Details of the savings are of course the responsibility of the Departmental Ministers concerned.

These are the savings which it has been possible to identify reasonably quickly by examining a series of options across the Civil Service as a whole. The next stage will include a number of policy studies in some departments such as the Department of Health and Social Security, and reviews of activities already set in progress, particularly in the Ministry of Defence and the Department of the Environment.

The search for greater economy and efficiency will of course go on throughout the life-time of this Parliament. All Ministers will continue to keep the work of their departments under close scrutiny



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and the House will be kept informed of progress from time to time. Sir Derek Rayner will assist in particular projects to improve efficiency and value for money.

I will not try to predict the future size of the Civil Service, but we have reversed the major expansion which took place under the last Government. Our predecessors planned for a Civil Service of 748,000 by April next year. The numbers now stand at 712,000. As a result of our scrutiny, though there may be short-term fluctuations, the general trend from now on will continue downwards.

The size of the Civil Service must always depend upon the duties the Government of the day asks it to undertake. The fact that this Government set out to identify areas in which the range of work can be narrowed, and to improve the efficiency with which the rest of the work is done, is no reflection on the conscientiousness and ability with which civil servants at all levels have carried out the tasks they have been given. I am glad to pay tribute to these qualities, as I am sure is the whole House.





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Civil Service

10 DOWNING STREET

From the Private Secretary

B/F 5-12-79  
(statement being made on 6/12)

3 December, 1979.

As I told you on the telephone this morning, the Prime Minister has seen a copy of your Minister's letter of 28 November to the Home Secretary about the Parliamentary statement on reductions in the size of the Civil Service.

The Prime Minister would like the statement amended to ensure that it conveys the idea of a continuous process much earlier than is the case with the existing draft. She has suggested that this could best be done in the second paragraph of the draft, where the text refers to the decisions to be announced in the autumn. In the present text, it is only at paragraph 7 that the text first refers to the interim nature of the present report.

In paragraph 5, the Prime Minister would like to see a reference to the volume of annual wastage.

I would be grateful if you could let me know how your Minister proposes to incorporate these points in the final text.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet, including the Minister of Transport, and to Murdo Maclean (Chief Whip's Office), and Martin Vile (Cabinet Office).

M. A. PATTISON

G.E.T. Green, Esq.,  
Civil Service Department.

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14



10 DOWNING STREET

*From the Private Secretary*

3 December, 1979.

The Prime Minister was grateful for the Lord President's minute of 28 November, in which he reported the current situation on Civil Service staff numbers.

M. A. PATTISON

Jim Buckley, Esq.,  
Lord President's Office.

A large, stylized handwritten signature in blue ink, located in the bottom right corner of the page.



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Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

The Rt Hon William Whitelaw CH MC MP  
Home Secretary  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

30 November 1979

*Dear Willie,*

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

When I circulated on 28 November a revised version of the draft Parliamentary Statement about the Civil Service cuts, I said that Christopher Soames proposed to make this Statement in the House of Lords on Tuesday, 4 December and I asked colleagues to defer until today any approach to their Staff Sides to arrange a meeting with them for that day.

For a variety of reasons, the announcement has had to be postponed and Christopher Soames has agreed with Norman St John-Stevas that it should be made on Thursday, 6 December. My officials have been in touch with yours to inform them of this and to ask that action to arrange meetings with departmental Staff Sides should be deferred. Christopher Soames has now asked me to write to you to say that you and our colleagues should feel free to approach your Departmental Staff Sides with a view to setting up meetings with them on Thursday, 6 December. As the Commons announcement will follow the Business Statement it would be best if such meetings were not held before 4.00pm on that day.

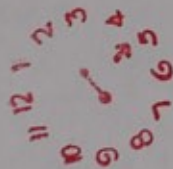
I am copying this letter to all members of the Cabinet, the Minister of Transport, the Chief Whip and Sir Robert Armstrong.

PAUL CHANNON

*Y  
Paul*

CONFIDENTIAL

30 NOV 1979





*Jim Semple*NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJSECRETARY OF STATE  
FOR  
NORTHERN IRELANDPaul Channon Esq MP  
Minister of State  
Civil Service Department  
Whitehall  
London SW1A 2AZ

30 November 1979

*Dear Paul,*REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

Thank you for sending me a copy of your letter of 28 November to Willie Whitelaw.

I am content with the wording of the proposed statement.

As you know, I am responsible for not only the small UKCS component of the Northern Ireland Office (250) but also the Northern Ireland Civil Service (33,000). I have therefore had to consider whether it would be appropriate for me or my Ministers to meet Staff Representatives of both Services; and, if so, when. So far as my UK Civil Servants are concerned, the Departmental Staff Side have been told the quantum of my firm savings and that UKCS will not be affected. The savings will be achieved by a rundown of certain NICS posts within the NIO, and the Union concerned has already accepted implementation.

Functional cuts in the NI Departments are being tackled as a separate exercise, which I shall be discussing with the Chief Secretary. They must, as we have agreed, follow, so far as is practicable, the action agreed for analogous UK Departments. It will not therefore be possible to identify savings until after the UK package is announced. A meeting with NICS Staff Representatives would be premature at this stage.

/I have .....

C O N F I D E N T I A L

I have concluded therefore that it will not be necessary for me to see UKCS Staff Representatives; and that a meeting with the NICS Staff Side must be postponed until I have something definite to say to them.

I am copying this letter to the recipients of yours.

*Yours ever*

*Humphrey*



30 NOV 1979



PRIME MINISTER

Civil Service Manpower

Following last week's Cabinet discussion, Lord Soames now proposes to make a Statement next Tuesday, 4 December. Mr. Channon would repeat it in the Commons.

The draft of the Statement is at flag A. This takes account of the drafting points mentioned at Cabinet.

The revised draft still seems to me to be a little disjointed. The first half seems to presage the results of a completed review. The second half speaks of a stage in a continuous process. It would help to introduce this notion of continuous action in the third or fourth paragraph, and not leave it to the seventh one. Should we suggest a further amendment to bring this out?

Otherwise, content that the revised statement should be made on 4 December? Agree that you should be in the House, as Minister for the Civil Service, for the Statement?

*MP*

*I agree with your  
comments - have made  
2 suggestions on the  
text.*

28 November 1979

*and*



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Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

The Rt Hon William Whitelaw CH MC MP  
Secretary of State for the Home  
Departments  
Home Office  
50 Queen Anne's Gate  
LONDON SW1

28 November 1979

*Don Willie*

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

At Cabinet last Thursday (CC(79)22nd) Christopher Soames was invited to revise the text of the draft Parliamentary Statement attached as Annex 3 to C(79)57.

The draft has now been amended in the light of points made in discussion at Cabinet, and Christopher Soames has asked me to circulate the attached revised version.

There was some discussion at Cabinet about whether the Statement should refer to the fact that some of the savings will accrue from putting work out to the private sector. Christopher Soames has concluded that it should. Clearly we must tell the House that the net effect of the savings on public expenditure will be less than the £212m quoted. This is bound to provoke the question why this is so, and we should have to give an answer. Nothing would, therefore, be gained by omitting a reference to putting work out to the private sector. Moreover, such an omission could lead to a suspicion that we had something to hide.

Christopher Soames proposes to make the Statement in the House of Lords on Tuesday, 4 December. I will repeat it in the House of Commons on the same day.

I shall assume that, unless I have heard from colleagues by mid-day on Friday, 30 November, they will be content for the Statement to be made on the lines of the attached draft.

I wrote to you on 19 November, and copied my letter to colleagues, enclosing a short draft description of the effect of the cuts on each department. All of the amendments which colleagues have proposed are being adopted.

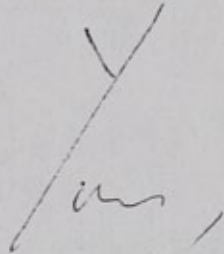
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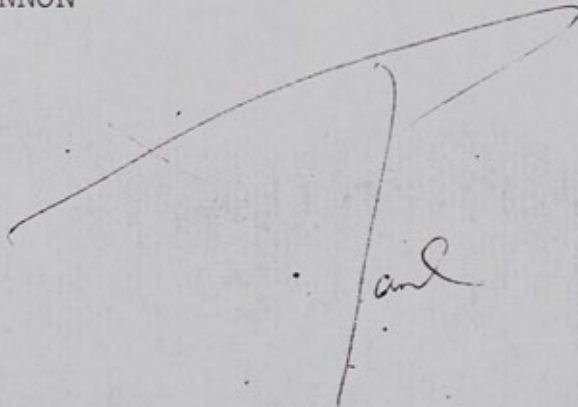
On Thursday, 29 November my officials will need to get in touch with the National Staff Side and representatives of the industrial unions, with a view to arranging a meeting shortly after the Statement has been made. It was agreed at Cabinet that colleagues would meet their own Departmental Staff Sides after the Statement. But I would be grateful if they would ensure that no approach is made to their Staff Sides before this Friday to arrange such a meeting.

Given the sensitivity of this matter, I should be grateful if colleagues would ensure that the draft Statement is handled as though it were a Limited Circulation Annexe.

I am copying this letter to all members of the Cabinet, the Minister of Transport, the Chief Whip and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'Paul', written over a diagonal line.

PAUL CHANNON

A large, stylized handwritten signature in dark ink, appearing to be 'Paul', written over a diagonal line.



CONFIDENTIAL

DRAFT PARLIAMENTARY STATEMENT:

REDUCTIONS IN THE SIZE OF THE CIVIL SERVICE

My Lords, with the leave of the House, I should like to make a statement.

My hon Friend the Minister of State in the Civil Service Department announced on 11 June that the Government intended to make major savings in the size and cost of the Civil Service over the next few years and that our decisions would be announced in the autumn.

*Just decisions  
early decisions*

*We ought to withdraw here that this is (consequently) an interim report.*

The Government has carried out a review for three main reasons. First, we believe that it is in the national interest to reduce the role of Government. Secondly, at a time when public expenditure as a whole has to be restrained, it is right that there should be a contribution from central Government administration. Thirdly, it is a good thing to examine any large organisation, public or private, from time to time and prune those activities which may have been undertaken for good reasons but which are now less essential.

All Ministers have examined the activities of their departments to identify the savings which can be made, whether by increased efficiency or by the abolition or curtailment of functions. As a result, we will be making savings right across the Civil Service. The scope for this varies between departments. At one end of the scale, the Department of Transport has identified savings amounting to 17%. In other Departments the scope is much smaller, but even in the fields of law and order and defence, to which as the House knows the Government attaches a particularly high priority, some reductions can be made.

This review will lead to annual savings in Civil Service staff costs of about £212m, most of which will be achieved by the

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financial year 1982-83. The net effect on public expenditure will be rather less because some of the savings will come from putting work out to the private sector, and this work will have to be paid for. In terms of staff numbers, the savings total some 40,000. This is in addition to the steps we have already taken to reduce expenditure on Civil Service manpower this year by the equivalent of some 20,000 posts - 60,000 in all. The Government's aim will be as far as practicable to secure the reductions by natural wastage.

*Can we find some  
indicators of the  
the state about 92 p.a.*

The savings by Departments resulting from the present decisions will be shown in general terms in a table in the Official Report, and copies are available in the Vote Office. Details of the savings are of course the responsibility of the Departmental Ministers concerned.

What I am announcing today is an interim report. The savings are those which it has been possible to identify reasonably quickly by examining a series of options across the Civil Service as a whole. The next stage will be a number of policy studies in some Departments such as the Department of Health and Social Security, and operational reviews already set in progress, particularly in the Ministry of Defence and the Department of the Environment.

The search for greater economy and efficiency will of course go on throughout the life-time of this Parliament. All Ministers will continue to keep the activities of their Departments under close scrutiny and the House will be kept informed from time to time. Sir Derek Rayner will assist in particular projects to improve efficiency and value for money.

I will not try to predict the future size of the Civil Service, but we have reversed the major expansion which took place under the last Government. Our predecessors planned for a Civil Service of 748,000 by April next year. The numbers now stand



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at 712,000. As a result of our scrutiny, though there may be short term fluctuation, the general trend from now on will continue downwards.

The size of the Civil Service must always depend upon the duties the Government of the day asks it to undertake. The fact that this Government set out to identify areas in which the range of work can be narrowed and to improve the efficiency with which the rest of the work is done is no reflection on the conscientiousness and ability with which civil servants at all levels have carried out the tasks they have been given. I am glad to pay tribute to these qualities, as I am sure is the whole House.

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COPY OF WHAT IS  
REFERRED TO AT  
X ON PAGE 2 OF DRAFT  
STATEMENT

The following table indicates the reductions in Civil Service staff costs and numbers it is intended to make (financial savings are expressed in 1979 survey prices):

<u>Department</u>	<u>£m</u>	<u>Staff</u> (approximate)
Ministry of Defence Various economies and placing some work currently done in-house out to contract (in particular cleaning and catering); administrative economies from such measures as changing the arrangements for paying salaries and wages and for bill paying; further changes in arrangements for quality assurance, involving greater reliance on industry.	41.0	7500
Foreign and Commonwealth Office and Diplomatic Service Closure of some overseas posts; reduction in the size of the largest overseas missions and in staff numbers in the UK.	6.0	425
Overseas Development Administration Reductions in staff and programmes in headquarters and at the Scientific Units.	2.1	235
Ministry of Agriculture, Fisheries and Food Simplification of capital grant schemes and other minor savings.	4.1	470
Department of Industry Conversion of National Maritime Institute into a non-governmental Research Association or other industrial research laboratory; programme cuts at remaining Industrial Resesearch Establishments; reductions in regional organisations mainly resulting from revised regional package; staff savings following expiry of Industry Schemes; and reductions in statistical, Establishment, and support services.	7.9	1,290



<u>Department</u>	<u>£m</u>	<u>Staff</u> (approximate)
Department of Trade Changes in companies registration; reduction in some export promotion and commercial relations activities and in various civil aviation and marine functions; continuation of transfer of work to the European Patent Office; abolition of the Metrication Board.	3.1	455
Office of Fair Trading Extension of validity of consumer credit licences.	0.3	70
Export Credits Guarantee Department Computerisation for short-term business, and other procedural changes.	0.8	145
Department of Energy Reductions in activities of the Offshore Supplies Office, the Gas Standards Branch, and other services.	1.0	145
Department of Employment Further savings from computerisation, fortnightly attendance and payment, and administrative improvements in Unemployment Benefit Offices; extending qualifying period for unfair dismissal to one year, dropping permanent scheme for short time working compensation and other savings.	10.9	2,575
Manpower Services Commission Reductions in employment and training services.	20.2	3,400
Health and Safety Executive Selective reductions in activities	2.2	260
Advisory, Conciliation and Arbitration Service Extending qualifying period for unfair dismissal to one year, and other savings.	1.0	100
Department of Transport Changes in the operation of Vehicle Excise Duty, in arrangements for inspection of heavy goods vehicles, and other savings.	13.1	2,480

<u>Department</u>	<u>£m</u>	<u>Staff</u> (approximate)
Department of the Environment and Ordnance Survey	9.9	1,620
Simplification of planning procedures, reductions in research, statistical and other support activities; disbandment of Economic Planning Councils and the Clean Air Council, and other reductions in functions.*		
Property Services Agency	29.2	4,730
Reduction in building and dispersal programmes, contracting out maintenance of government buildings and general economy measures.*		
Home Office	2.9	460
Improved efficiency generally and miscellaneous savings in areas other than prisons, police support and immigration control.		
Lord Chancellor's Departments	1.9	450
Savings from improved efficiency, computerisation, and some reduction in services at the Public Record Office.		
Department of Education and Science	1.0	155
Less intervention in matters which are the direct responsibility of Local Education Authorities and other agencies, and modifications in procedures.		
Department of Health & Social Security	8.3	1,705
Measures to improve efficiency, and simplify procedures in social security administration. Savings in health and personal social services work through implementation of Government policy for less intervention in the activities of the National Health Service and local authorities.		
Office of Population Censuses and Surveys	1.3	275
Savings in most areas of the department, including statistical, census and survey work.		



<u>Department</u>	<u>£m</u>	<u>Staff</u> (approximate)
Treasury	0.4	40
Abolition of certain functions, including Exchange Control, and other reductions.*		
Customs and Excise	2.3	465
Abolition of Exchange Control checks and savings in general administration.*		
Inland Revenue	19.0	5,515
Savings from the 1979 Budget measures, cancellation of rating revaluation, and savings in procedures and administration*.		
Department for National Savings	4.4	1,070
Completion of mechanisation of National Savings Bank, termination of British Savings Bonds and industrial group savings.*		
Civil Service Department	2.3	280
Reductions in Civil Service Commission and Civil Service College and in various departmental functions and support services.		
Central Office of Information	0.8	140
Savings in the home service and through computerisation and general economy measures, and savings in overseas services including export promotion.		

<u>Department</u>	<u>£m</u>	<u>Staff</u> (approximate)
Her Majesty's Stationery Office Anticipated reduction in demand for HMSO services; measures to increase efficiency; rationalisation of publications distribution organisation.	4.0	900
Scottish Office Reductions in functions, largely in parallel with similar reductions in equivalent Whitehall departments.	3.9	690
Forestry Commission Improvements in efficiency, cutbacks in the planned planting programme and reduced provision for public recreation.	1.5	240
Welsh Office Miscellaneous savings, largely in parallel with similar reductions in equivalent Whitehall departments.	1.6	235
Northern Ireland Office Savings in areas not vitally concerned with law and order.	0.7	120
Other Departments	3.1	325
TOTAL	<u>212.2</u>	<u>39,000</u>

\* Not yet confirmed by the Minister



28 NOV 1979





PRIME MINISTER  
The First of the Land President's  
new monthly reports

no MP 28/11

PRIME MINISTER

CIVIL SERVICE STAFF NUMBERS

In my minute of 17 July, I reported the progress that we had made towards reducing the size and cost of the civil service - notably by the temporary freeze on recruitment and the adjustments to this year's cash limits.

Returns from departments show 712 300 permanent staff in post at 1 October this year. This compares with the provision of 740 000 at 1 April 1979 rising to 748 000 at 1 April 1980 which our predecessors made in this year's Estimates, and with the 723 000 allowed for after our adjustment to the cash limits.

There is also a satisfactory pattern of decline in the staff in post figures since April this year. The position is:

Date	Staff in Post	% Change since 1 April
1 April 1979	732 300	-
1 July 1979	723 700	- 1.2
1 October 1979	712 300	- 2.7

Reductions over this period for departments with more than 10 000 staff are as follows:

Department	% Reduction
Employment	7.2 →
National Savings	5.5
Inland Revenue	4.9 →
Property Services Agency	4.5 →
Environment	3.8
Customs & Excise	3.5
Transport	3.3
DHSS	2.5
Scottish Office	2.5
Agriculture	2.4 ←
Defence	2.0
Manpower Services Commission	1.2 →
Home Office	0

There has been a small offsetting increase in overtime working and casual staff in a few departments where that has proved essential, for example to clear backlogs of work or to deal with seasonal peaks. But we are well on course to achieve the 2 3/4% reduction from the cash limit squeeze, and we may well get more.

I intend to draw public attention to our achievements in this respect when I announce the agreed results of our manpower review to Parliament in the first week of December.

I am sending a copy of this to the Chancellor and to Sir Robert Armstrong.

S.



28 NOV 1979





✓ MJD  
C. M. Lawrence

SECRETARY OF STATE FOR ENERGY  
THAMES HOUSE SOUTH  
RILEY ROAD LONDON SW1P 4QJ  
01 211 6402

Mr Paul Channon MP  
Minister of State  
Civil Service Department  
Whitehall  
LONDON SW1A 2AE

28 November 1979

Dear Paul

Thank you for sending me a copy of your letter of 21 November to Willie Whitelaw.

I agree entirely that Ministers must continue to keep a close watch on the recruitment and replacement of staff. I already receive a monthly report on recruitment to my Department. Arrangements are in hand for these reports to be presented in a form which will enable me to monitor progress towards the achievement of the required savings and to identify at an early stage any problems which may arise.

I also agree that it would be sensible for the CSD to receive reports from Departments on a quarterly basis in the form you suggest, and that the CSD should subsequently present a consolidated report to the Lord President and the Prime Minister.

I am sending a copy of this letter to the recipients of yours.

D A R Howell

Law

Daw





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✓  
MAD

Chancellor of the Duchy of Lancaster

PRIVY COUNCIL OFFICE  
WHITEHALL LONDON SW1A 2AT

28 November 1979

De Paul.

## REDUCING THE SIZE OF THE CIVIL SERVICE

Thank you for your letter of 21 November about the legislative implications of our proposals to reduce the size of the Civil Service.

I have noted the items for inclusion in this session's programme. As you say, provision has already been made for a good number of the savings. While some of the measures are potentially controversial, I do not think many of those in Annex 1 will greatly affect the handling of the Bills concerned, bearing in mind that most of them are already controversial.

Similarly, most at least of the items listed in Annex 2 either can be or are already incorporated in Bills already in the programme for this session. It is not clear to me, however, that the Education (No 2) Bill provides for the partial abandonment of university building controls (if indeed, primary legislation is required for this): the Bill is currently starting out on its Committee stage and the Education Secretary would have to look at it urgently to see whether it is necessary to have an amendment agreed and drafted. I hope, too, that the Energy Secretary's discussions with the British Gas Corporation on gas standards will not delay the preparation of the Energy Conservation etc Bill, which ought to be coming forward shortly.

Departments will, of course, want to include the proposals for savings in later sessions in their suggestions for later legislative programmes. We shall clearly have to look at these in the context of the overall demands on the programme for each session, but I am sure QL Committee will take full account of the importance of these provisions from the point of view of staff savings.

The Chief Whip and I will of course make every effort to secure the passage of statutory instruments when they are needed to ensure these savings.

Contd...





I am copying this letter to the Prime Minister, to the Secretaries of State for Energy and Education and Science in view of my comments on their Bills, to the Chief Whips in the Commons and Lords, and to Sir Robert Armstrong.

*Yours faithfully*  
*Paul Channon*

---

Paul Channon Esq, MP  
Minister of State  
Civil Service Department

28 NOV 1979





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✓ Civil Service  
MAD

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DEPARTMENT OF EDUCATION AND SCIENCE  
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH  
TELEPHONE 01-928 9222  
FROM THE SECRETARY OF STATE

Paul Channon Esq MP  
Civil Service Department  
Whitehall  
London SW1A 2AZ

23 November 1979

Dear Minister,

CIVIL SERVICE CUTS: FORM OF ANNOUNCEMENT

Thank you for your letter of 19 November.

I would suggest a slightly different form of words to describe the cuts which will be necessary in DES as follows:-

"Less intervention in matters which are the direct responsibility of Local Education Authorities and other agencies, and modifications in procedures."

I consulted my Staff Side openly and fully on the 10, 15 and 20% options, and I shall be sending them shortly details of the DES cuts. I will copy the latter to you as you request.

Yours sincerely,

p.p. MARK CARLISLE  
(Approved by the Secretary of  
State and signed in his absence)

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23 NOV 1979





cc Departmental  
visits file  
MAP



PRIME MINISTER.

A plea from Mr Pym for  
special treatment, on morale  
grounds, on manpower.  
This will come up when you  
visit MOD in January

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 6000  
DIRECT DIALLING 01-218 2111/3

MAP  
23/11

MO 2/2/6

22nd November 1979

Dear Christopher,

At Cabinet this morning you raised the question of morale in the Civil Service and the importance you attach to preserving it. I refrained from making any comment at the time, because of the constraints that existed this morning, so I write to say how very strongly I agree with you.

I know you are looking to me for further reductions and I am working assiduously to that end, but I have the feeling that you may not have taken sufficiently into account what has happened in this large Department in recent years. By a deliberate political decision the Labour Government cut and cut. Thus it was that during a period of about five years in which the Civil Service as a whole grew by nearly 15%, this Department, within that total, fell by nearly 10%. Since 1974 our staff numbers have fallen by 40,000, while the size of the Civil Service in other Departments has gone up by 58,000. In other words, almost every other Department has grown enormously but this one has been battered in the struggle to reduce.

Notwithstanding that fact, from the moment I was appointed I have taken the view that it must be possible to make still further reductions; there must be waste it is possible to cut out; and there must be more efficiency to be attained. I have no doubt that all these things are true

/and ...

The Rt Hon The Lord Soames GCMG GCVO CBE



and, as you know, I am working towards them. But I beg you to understand that, unlike the luxury of growth in numbers that other Departments have enjoyed, in this particular case one review has followed another leading to reduction after reduction. As a result considerable suffering has been inflicted and undoubtedly morale has been damaged.

We are committed to increase our defence effort, and are doing so. So far I have been able to explain to the Staff Side and the Trade Unions why - notwithstanding our commitment to increase our defence capability - I am still insisting on some fundamental studies because I am not satisfied that we are producing the best value for money. But they point out, fairly, that this process has been going on for years.

The point was made this morning that all Departments are different and, as you know, I have argued this from the outset. My task is to deliver a massive defence capability as economically as possible. As you know, I think our approach to the task is managerially unsound, and work is already being done (by Paul Channon I think) on looking at some of the ways in which we might change our practice. Inevitably this work will take some time to produce results, but in the meantime I do have a much more difficult morale problem than most of my colleagues. All I am saying in this letter is that it was you who stressed morale this morning and I want to put it in your mind that the problem is more acute in this Department because of its history than any other.

I am copying this just to the Prime Minister.

*Francis Pym*  
*Francis*

Francis Pym



23 NOV 1979



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PRIME MINISTER

Further Action to Reduce the Size of the Civil Service  
(C(79) 57)

BACKGROUND

Last time Cabinet discussed this subject, (C(79) 19th Conclusions, Minute 8, on 1st November) the Lord President had taken credit for a good many savings which Departmental Ministers did not regard as firm. You asked him to produce a further paper, distinguishing between those savings which were absolutely secure, and those which were still subject to policy approval or raised other doubts.

2. Cabinet also discussed the best way of presenting the results of this exercise, and you asked the Lord President to circulate the text of his proposed statement. This paper discharges both remits.

3. I have set out as an Annex to this brief the figures we have been given by the CSD. The short point is that the Government has already cut about 21,000 posts, and that the firm offers now listed in Annex 1 amount to another 39,000. There are a possible further 19,000 in the pipeline, listed in Annex 2, subject to policy decisions, legislation, etc. Demographic and other factors (notably rising unemployment) could add something back to the resulting total; so could fresh decisions, e.g. on taxation of short-term benefits; good house-keeping measures could reduce it further.

4. All these are staff numbers. The corresponding gross expenditure are shown in the paper. The net cost is different: in some cases the cost of contracting work out to the private sector has to be netted off. The Treasury have been given the figures, and the year-by-year spread. The 1980-81 figure is consistent with the totals already published in the White Paper. The figures for later years will be incorporated in the second White Paper in due course.



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5. These figures fall a long way short of Cabinet's original ambitions. Cabinet considered last time whether it should postpone any announcement, or make an early announcement about the firm figures; there was a preference for an early announcement. It considered whether the announcement should promise further cuts to come, but inclined to the view that it should simply indicate in general terms that further economies would be sought.

6. The draft text now circulated by the Lord President is skilfully drafted. It does not draw a line under the present exercise; nor does it promise more than the Government can be sure of delivering in future. This wording probably minimises the risk of adverse reaction, both from Government supporters in Parliament and from the Civil Service unions. But there will be trouble on both flanks.

7. The Parliamentary tactics may not be too difficult. Paragraph 6 emphasises that the search for economies will continue. I doubt whether you will want to say more than this, at least until Cabinet has decided whether to reopen the public expenditure totals for later years.

8. Tactics towards the Staff Side will be more difficult. The Staff Associations have been campaigning for some weeks now against the expected cuts. There has been spasmodic local industrial action at a number of centres and E(CS) is co-ordinating the Government response. The Staff Side will probably be privately relieved that the cuts are not as bad as they feared. But in some Departments, notably Employment, they go very deep. There could well be trouble, either locally or nationally, following the announcement on 27th November. But it would be difficult for the Staff Side to get much public support for a major campaign.

HANDLING

9. I suggest you invite the Lord President to introduce the paper, and then seek general comments from the Chief Secretary, Treasury, and from the Secretary of State for Employment.



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10. The next stage would be to get confirmation that the savings in Annex 1 are all now firmly agreed. You could simply ask whether any one objects to his figures. It is not intended to announce the detailed reductions listed in Annex 1: the only public announcement will be the table attached to the draft Parliamentary statement at Annex 3. Not all the savings listed in Annex 1 can be implemented immediately. Some of them depend on legislation, for which there is no provision in this year's programme. We understand that the Lord President is in touch separately with the Leader of the House about the legislative requirements.

11. You might then turn to the list of potential further savings in Annex 2. Cabinet is not asked to take decisions on these today: all that is needed is to register any major difficulties which may be present. (For example, the Secretary of State for Defence may want to emphasise the difficulty of making further savings in civilian manpower, especially given the problems of recruitment for the armed forces in the next few years.) But you will not want Cabinet to go into detail at this stage. You might invite the Minister of State, CSD to pursue all these options energetically with the Ministers concerned, and to take up any unresolved problems in the appropriate Cabinet Committees.

12. You will then want to reinforce the injunction in paragraph 10 of the covering paper, about the personal involvement of all Ministers in keeping Civil Service numbers under control in 1980-81 (and of course in subsequent years). The instruction given by Cabinet last time, to establish monitoring systems of the kind used by Mr. Heseltine, should help. You might ask how many Ministers have so far taken action to follow up this decision. By no means all have done so. *(A note by Mr Heseltine, detailing his system, has been sent to all Ministers by in charge of Derts -) MA 21/11.*

13. Next you could turn to the draft announcement at Annex 3. If the Cabinet thinks that the general approach is right, I think two questions arise: does it go into sufficient detail? And is it firm enough in its promises of future cuts? On the first, it is proposed to supplement this statement with an agreed form of words describing the effect on each Department. These formulae



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in this folder  
7.

are being agreed in separate correspondence with each Minister concerned. (Mr. Channon's letter of 19th November to the Home Secretary explains why.) On the second, in the absence of final agreements on the various extra options listed in Annex 2, I doubt if this statement can be any more forthcoming. You might note that the Minister of Transport proposes to announce, by Written Answer, the retention of VED on the same day.

14. Finally, you will want Cabinet to consider the likely response to the announcement. The Lord President and the Minister of State, CSD, will together see the National Staff Side and the Joint Consultative Committee (representing the industrial grades) immediately after the announcement. Thereafter, each Departmental Minister will either see his own Staff Side, or arrange for them to be seen and told what is involved. As noted above, there is a risk of local or national industrial action. Cabinet cannot very well decide in advance what to do. You should simply ask the Lord President / or any other Minister whom you temporarily put in charge of E(CS) in his absence - I am minuting you separately about this to make sure that the Government response is co-ordinated properly, and invite all Ministers in charge of Departments to keep the Lord President / Minister of State, CSD, informed immediately of all industrial action provoked by the cuts.

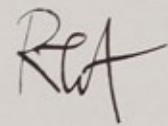
CONCLUSIONS

15. Subject to the course of discussion, the conclusions of this meeting might be:-

- (i) To note the firm savings which have already been agreed, listed in Annex 1 of C(79) 51.
- (ii) To note the possibilities for further cuts listed in Annex 2, and to invite the Lord President to pursue these with the Ministers concerned.
- (iii) To approve the terms of the announcement at Annex 3, and invite the Lord President to make it in Parliament next Tuesday / or whatever other date is agreed.

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- (iv) To invite all Ministers in charge of Departments to examine rigorously the estimates for 1980-81 to keep Civil Service numbers to a minimum in that year.
- (v) To invite the Lord President to arrange for E(CS) to co-ordinate the Government response to any industrial action which may follow the announcement of the cuts.



(Robert Armstrong)

21st November 1979



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ANNEX

Numbers in post 1.4.79	732,000
Last Government's Estimates provision for 1.4.79	740,000
Last Government's Estimates provision for 1.4.80	748,000
Mean for year (ie original baseline)	744,000
Less $2\frac{3}{4}\%$ cut by present Government	<u>(21,000)</u>
New baseline for 1979-80 (mean)	723,000
Less cuts now proposed (Annex 1)	<u>39,000</u>
New baseline for later year	684,000
Less possible further cuts (Annex 2)	19,000
Plus offset for future growth	<u>?</u>
Eventual total	<u>684,000<sup>+</sup> ?</u>
Numbers in post 1.10.79	712,000
Numbers now expected 1.4.80	710,000

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VMA



Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

Minister of State

The Rt Hon Norman St John Stevas MP  
Chancellor of the Duchy of Lancaster  
Cabinet Office  
LONDON SW1

21 November 1979

Dear Norman,

REDUCING THE SIZE OF THE CIVIL SERVICE

At Cabinet on 1 November, Christopher Soames was asked to identify those savings proposed by departmental Ministers which required legislation. Colleagues have been consulted and the information is summarised in Annexes 1 and 2 of C(79)57, which will be discussed in Cabinet tomorrow. I thought, however, that it would be helpful if I were to write to you separately, setting out in some detail the picture so far as primary legislation is concerned.

The attached Annex 1 lists the firm savings requiring primary legislation. Annex 2 lists other possible savings requiring primary legislation but where decisions have yet to be taken. Each Annex shows the subject of the required legislation and the Parliamentary session in which colleagues have suggested it should be taken.

So far as the Annex 1 is concerned, I imagine there will be no problem for the legislative programme from those items suggested for legislation in the present session: they have already been (or can be) included in Bills which are currently on the stocks or which are planned for other reasons. Some new legislation will be required for the savings listed under the headings "1980-81 Parliamentary Session" or "Timing Not Yet Clear". The only significant item, however, is that relating to the hiving-off of heavy goods and public service vehicles. Even in that case, the need for legislation is not yet certain. The savings this would yield - nearly £5m in Civil Service staff costs - make it crucial to our exercise, and I hope very much that the legislation, should it be required, can be fitted in.

Annex 2 comprises items which are not crucial to the achievement of the firm savings which Cabinet will be asked to agree tomorrow and are more speculative than those in Annex 1. You will see, however, that no new demands would be made on the legislative programme for this Session. For those shown for later years, or the timing of which is uncertain, they can be regarded as candidates for legisla-

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tion only when the policy has been decided. I think that all that can be done at present is to note them as possible starters for the future.

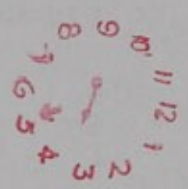
I assume that there will be no difficulty about finding space for the secondary legislation where this is necessary to secure the savings listed in C(79)57. There is only a handful of such items in the 'firm savings' list (Annex 1 to C(79)57). As far as the remainder are concerned, again not much can be done until policy decisions have been taken.

I am sending copies of this letter to the Prime Minister, Michael Jopling, Bertie Denham and to Sir Robert Armstrong.

PAUL CHANNON

*Paul*  
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21 NOV 1979





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## MANPOWER REDUCTIONS REQUIRING PRIMARY LEGISLATION: FIRM SAVINGS

1979-80 Parliamentary Session

## 1. Department of Energy

Reductions in functions of Petroleum Production Division  
A consequence of amending the Petroleum and Submarines  
Pipelines Act, a priority item for the current session.

## 2. Department of Transport

(i) Change from 4 monthly to 6 monthly vehicle licences  
The legislation required would be short and probably not  
controversial; it would be suitable for inclusion in the  
1980 Finance Bill.

(ii) Simplifying or abandoning various licensing controls

The legislation would be possibly controversial in parts but  
is firmly programmed for this session

## 3. Department of the Environment

(i) Streamlining of planning procedures

(ii) Disbanding Clean Air Council

Provisions have been included in the Local Government Planning  
Bill; not very controversial.

(iii) Repealing of Community Land Act

Bill this session; controversial.

(iv) Reduction in functions of Countryside and Recreation Division

Provision will be included in the Countryside and Wildlife  
Bill; uncontroversial.

## 4. Department of Education and Science

Reduced involved in Local Education Authority matters  
Included in the current Education (No 2) Bill.

## 5. Inland Revenue

(i) Dropping rating revaluation

Intended to deal with this in DOE's Local Government Bill.

(ii) Increase in de minimis limit for interest on unpaid tax

To be included in 1980 Finance Bill.

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Abolition of Saturday Courts

Included in the Bail etc (Scotland) Bill.

1980-81 Parliamentary Session

1. Ministry of Agriculture, Fisheries and Food

Financing Central Council for Agricultural and Horticultural Cooperation on a grant-in-aid basis.

Legislation would be short and uncontroversial.

2. Department of Industry

Conversion of National Maritime Institute into a research association.

Possible opposition from Civil Service Unions but no major problems over the legislation envisaged.

3. Department of Trade

(i) Modifications to the arrangements for the search service and the maintenance of company files at the Companies Registration Office.

(ii) Abolition of the discretionary power to allow companies to omit "Ltd " and the requirement to include directors names on business documents.

Both these items would be included in a 1980-81 Companies Bill (which would be needed anyway).

4. Department of Transport

Hiving-off heavy goods and public service vehicle inspection.

Legislation probably needed but it depends on the nature of the scheme devised; could be controversial.

5. Inland Revenue

Operation of PAYE on National Insurance Pensions

To be included in the 1981 Finance Bill.

Timing Not Yet Clear

1. Civil Service Department

Savings in pay and superannuation

Legislation required not later than 1981-82, unlikely to attract controversy.

2. Scottish Office

The details of the Scottish Office's savings have not yet been settled but in some cases legislation may be required.



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## MANPOWER REDUCTIONS REQUIRING PRIMARY LEGISLATION: OTHER POSSIBLE SAVINGS

1979-80 Parliamentary Session

1. Department of Energy  
Reductions in Gas Standards Branch  
  
Legislation probably required for the full saving but this is dependant on discussions with the British Gas Corporation. If required it is hoped to include it in the Energy Conservation etc. Bill.
2. Department of Employment  
  
Deferment of entitlement of school leavers to supplementary benefit in their own right.  
  
Included in the DHSS Social Security Bill; controversial.
3. Advisory, Conciliation and Arbitration Service  
  
Amendment of recognition provisions of Employment Protection Act 1975 Section 11.  
  
Bill expected to be published in December; controversial.
4. Department of the Environment  
  
Modification of housing project controls  
  
Linked to proposals to alter the housing subsidy system; likely to be controversial.
5. Department of Education & Science  
  
Simplification of school building controls and partial abandonment of university building controls.  
  
To be included in the Education (No 2) Bill.
6. Inland Revenue  
  
Ending Overseas Child Tax Allowances  
  
Probably in the 1980 Finance Bill; could be controversial.
7. Scottish Courts Administration  
  
Reduction of peremptory challenges of prospective jurors. To be included in the Criminal Justice (Scotland) Bill; controversial.

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1980-81 Parliamentary Session

1. Department of Trade

- (i) Abolition of Registry of Business Names
- (ii) Abolition of the discretionary power governing undesirable company names

Both these items would be included in a 1980-81 Companies Bill. The legislative hurdle is expected to be difficult, particularly for the first.

2. Manpower Services Commission

Introduction of **voluntary** quota policy for the employment of disabled persons.

MSC will report to Ministers in 1980. Earliest legislation 1980-81 session. Controversial.

3. Department of Health and Social Security

- (i) Replacement of supply of wheelchairs by cash.
- (ii) Making maternity grant non-contributory.
- (iii) Pharmacopoeia Commission to the Pharmaceutical Society of Great Britain.
- (iv) Abolition of injury benefit
- (v) Ceasing payment of special hardship allowance at pension age
- (vi) Medical Practices Committee to the NHS
- (vii) Reduction in level of Medicines Division's work on the safety, quality and efficacy of medicines.

Items i, iii, iv, v and vii likely to be controversial; vi will not be if prior agreement of profession obtained.

1981-82 Parliamentary Session

1. Department of Health and Social Security

- (i) Employers' sick pay for first 6 week of benefit
- (ii) Unified Housing Benefit
- (iii) Simplification of supplementary benefit for first 13 weeks.

All these items would be controversial.

**CONFIDENTIAL**



Being Not Yet Clear

1. Department of Trade

Removal of bankruptcy from Insolvency Service.

2. Department of Transport

Change to tax on possession of vehicles

3. Department of the Environment

Changes in building controls

Primary legislation may not be needed

4. Customs and Excise

The following items would be included in either the 1980 or 1981 Finance Bills:

(i) Compulsory de-registration of small VAT traders

Strong opposition from Government's own supporters likely

(ii) Restructuring excise control on wines and spirits

Possibly controversial

(iii) Merger of functions of VAT tribunals and of Special Commissioners of Income Tax

(iv) Conversion of beer duty to an end product duty.

Possibly controversial.

5. Inland Revenue

All the following items except vi would be included in one or other of the Finance Bills; i, iii, iv and vi would be controversial.

(i) Abolition of overseas earnings relief

(ii) Abolition of lower rate income tax band

(iii) Ending "averaging" for farmers' incomes

(iv) Operation of PAYE on fringe benefits

(v) Budgetary measures

(vi) Payment of all staff monthly by direct credit.

This could require amendment of the Truck Acts which would also give MOD additional scope for savings.

CONFIDENTIAL

Paymaster General's Office

Removing overlap of pensions administration with DHSS

The legislation required would be the responsibility of DHSS.

CONFIDENTIAL



24 JUNE 1979



✓ MAP



Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

The Rt Hon William Whitelaw CH MC MP  
Home Secretary  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

21 November 1979

*Don Willie*

Following the decision to end the general recruitment ban, Christopher Soames wrote on 26 July asking that colleagues should keep a close watch on recruitment in their departments and suggesting that they might wish to commission regular reports from their officials on the trend of recruitment and numbers.

You will remember that it was also agreed at Cabinet on 1 November that all Ministers should take steps to set up monitoring systems of the kind described by Michael Heseltine so as to enable them to exercise a close scrutiny on a continuing and regular basis of the recruitment and replacement of staff. Cabinet also decided that the results of this scrutiny should be regularly reported to CSD which would consolidate the departmental returns and report to the Lord President and the Prime Minister.

In the light of Cabinet's decisions, I should like to propose that colleagues should (if they do not do so already) obtain from their officials reports of recruitment in their own departments on a monthly basis. It is of course for colleagues themselves to decide the precise nature of their own monitoring systems and, for example, whether they wish to ask a junior Minister to keep a day-to-day watch on the figures. I am, however, circulating a letter which Michael Heseltine wrote to Christopher Soames on 5 November so that you can see the arrangements he has made.

As regards central reporting, I think it would be sensible for reports to come forward to CSD every quarter. For this purpose we can conveniently build on the existing arrangements under which officials send to CSD quarterly reports of the numbers of permanent and casual staff. In future, these reports should be accompanied by a short commentary on any change over the previous quarter, identifying any noteworthy factors, and indicating whether departments are on course to achieve the cuts we are deciding upon.



MANAGEMENT IN CONFIDENCE

My officials will be in touch with yours about the detailed arrangements (including the speeding up of the present timetable for reporting staff numbers) so that they can be introduced as far as possible in time for the first reports to be made for the quarter ending on 31 December.

Since 1 April - the nearest convenient date to our taking office - you might like to know that the picture on reductions in the departments with staff of more than 10,000 looks like this:

	<u>% reduction</u>
MOD (including ROFs)	2.0
DHSS	2.5
Inland Revenue	4.9
DOE	3.8
PSA	4.5
Employment	7.2
MSC	1.2
Home Office	0
Customs & Excise	3.5
MAFF	2.4
DNS	5.5
Scottish Office	2.5
Transport	3.3

} 4.3

I am sending a copy of this letter to all Ministers in charge of departments, and to Sir Robert Armstrong.

PAUL CHANNON

*Yours,*  
*Paul*

VMA



Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

The Rt Hon James Prior MP  
Secretary of State  
Department of Employment  
Caxton House  
Tothill Street  
LONDON SW1H 9NA

20 November 1979

Christopher Soames has asked me to reply to your letter of 2 November about how we can best handle the staff reductions which will result from the current cuts exercise. I have also seen Keith Joseph's and Francis Pym's letters of 15 November.

To a great extent, existing procedures follow the suggestions you have put forward. Compulsory redundancy takes place only in the last resort, and the present Model Redundancy Agreement attempts to reduce it to the minimum by providing for the maximum use of volunteers. Management is, however, given some discretion to choose from those who volunteer for retirement so that the efficiency of the Civil Service can be safeguarded and a sensible age structure kept. Anyone who is retired in this way will receive the full compensation payable under the Civil Service pension scheme.

It will be crucial to discover the exact impact of the cuts upon the staff in each department. As soon as departments can make an estimate my officials are ready to help in implementing the cuts along the lines I have stated. As you will have seen from the draft statement attached to the Lord President's paper to Cabinet, he is proposing to deal with the question of how numbers are to be reduced by saying that the Government's aim will be to rely as far as possible on natural wastage.

Keith Joseph suggests that, in looking for volunteers, we should concentrate on those nearest to retirement age, or who are less effective. The existing arrangements already cover this to some extent and my officials are urgently examining the practicability of further measures in this direction.

I am copying this to members of the Cabinet, and to Sir Robert Armstrong.

PAUL CHANNON



CONFIDENTIAL

Civil Service



Minister of State

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

*CP*  
*attendant*  
*MS*

The Rt Hon William Whitelaw CH MC MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
LONDON SW1H 9AT

19 November 1979

*R-27*

*Jan Willie*

CIVIL SERVICE CUTS: FORM OF ANNOUNCEMENT

As agreed at Cabinet on 1 November Christopher Soames is circulating a further paper to which is attached the text of the announcement of our decisions. If final decisions are reached on 22 November he proposes to make an announcement on the following Tuesday (27 November). This will be in the form of an oral statement in the Lords which I will repeat in the Commons. There is a point on presentation on which I should like your help, and that of our colleagues.

Details of the cuts by departments will need to be circulated in the Official Report. A bald statement of the total financial and manpower savings to be made in each department (as will be attached to the draft statement in the Cabinet paper) will however immediately provoke questions about how the savings are to be found. These questions will come from members of the two Houses. We can also expect to be questioned by the media and the National Staff Side (NSS) and Joint Consultative Committee (JCC) whom we shall be seeing after the statement. The NSS and JCC will in particular have questions as to what functions are being given up. I fully accept that, while colleagues are firmly committed to the amount of the savings, some wish to retain discretion as to how they should make them, and need to consult interest groups or departmental staff sides before giving full and specific details. On the other hand, cuts of the size which Ministers intend to make clearly cannot be achieved without specific alterations being made in the scope or scale of departmental activities. I am sure that neither Christopher Soames nor I could properly, or plausibly, divert all questions to the Ministers directly responsible.

*requested*

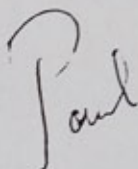
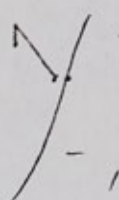
I think therefore that it is imperative that the Official Report includes a general description of the nature of the cuts as they affect the main departments. I attach a short draft description of the effect of the cuts on your Department. If you would like me to make any amendments, I should be glad if you could let me know by Thursday, 22 November.

CONFIDENTIAL

CONFIDENTIAL

As soon as possible after that, I should also be most grateful if you would let me know what information on the cuts you have given to your Departmental Staff Side, in the form of a prepared statement if possible. I will need this to pass on to the NSS and JCC. We are under fire for not having released details of all the options under consideration (and a complaint about this has been lodged with the Central Arbitration Committee). It is therefore essential that we let them have whatever details of actual cuts colleagues will be releasing at departmental level.

I am sending a copy of this letter to all Ministers in charge of departments, together with relevant draft descriptions.



PAUL CHANNON

CONFIDENTIAL



NOV 6 11 1979

6 11 1979



**with compliments**

MINISTER OF STATE

---

*as requested - Enclose to Minister's  
letter to Mr Whitlaw*

CIVIL SERVICE DEPARTMENT  
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Rt Hon Francis Pym MC MP  
Ministry of Defence  
Main Building  
Whitehall SW1

Ministry of Defence £41.0m 7,500 staff

some  
Placing/work currently done in-house out to contract (eg contract cleaning and catering); changes in arrangements for paying salaries and wages; further changes in arrangements for quality assurance, involving greater reliance on industry.

---

Rt Hon the Lord Carrington KCMG, MC  
Foreign and Commonwealth Office  
Downing Street  
London SW1

Foreign and Commonwealth Office £6.0m 425 staff

some  
Closure of/overseas posts; reductions in the size of the largest overseas missions and in staff numbers in the UK.

---

Neil Marten Esq MP  
Minister for Overseas Development  
Eland House  
Stag Place  
London SW1

Overseas Development Administration £2.1m 235 staff

Reductions in headquarters staff and in the programmes of the Scientific Units.

---

Rt Hon Peter Walker MBE MP  
Ministry of Agriculture, Fisheries and Food  
Whitehall Place  
London SW1

Ministry of Agriculture, Fisheries and Food and  
Intervention Board for Agricultural Produce £6.2m 475 staff

Simplification of capital grant schemes and other minor savings.

---

Rt Hon Sir Keith Joseph Bt MP  
Department of Industry  
Ashdown House  
123 Victoria Street  
London SW1

Department of Industry £7.9m 1,290 staff

Conversion of National Maritime Institute into a non-governmental Research Association; programme cuts at Industrial Research Establishments; staff reductions following expiry of Industry Schemes; and reductions in statistical, Establishment, and support services.

---

Rt Hon John Nott MP  
Department of Trade  
1 Victoria Street  
London SW1

Department of Trade £3.1m 455 staff

Changes in Companies legislation; reduction in some export promotion and commercial relations activities of various civil aviation and marine functions; abolition of the Metrication Board.

Office of Fair Trading £0.3m 70 staff

Extension of validity of consumer credit licences

Export Credits Guarantee Department £0.8m 145 staff

Computerisation for short-term business, and other procedural changes.

---

Rt Hon David Howell MP  
Department of Energy  
Thames House South  
Millbank  
London SW1

Department of Energy £1.0m 145 staff

Reductions in activities of the Offshore Supplies Office, the Gas Standards Branch, and other services.

---



Rt Hon James Prior MP  
Department of Employment  
Caxton House  
Tothill Street  
London SW1

Department of Employment	£10.9m	2,575 staff
Revision of procedures for payment of unemployment benefit; reductions in statistical and support functions, and other savings.		
Manpower Services Commission	£20.2m	3,470 staff
<i>Reductions in employment and training services</i>		
Health and Safety Executive	£2.2m	260 staff
<i>Reduction in the activities of the general inspectors and consequential savings</i>		
Advisory, Conciliation and Arbitration Service	£1.0m	100 staff
Extending qualifying <sup>period</sup> for unfair dismissal to one year, and other savings.		

---

Rt Hon Norman Fowler MP  
Department of Transport  
2 Marsham Street  
London SW1

Department of Transport	£13.1m	2,480 staff
Changes in the operation of Vehicle Excise Duty, in arrangements for inspection of heavy goods vehicles, and other savings.		

---

Rt Hon Michael Heseltine MP  
Department of the Environment  
2 Marsham Street  
London SW1

Department of the Environment and Ordnance Survey	£9.9m	1,620 staff
Simplification of planning procedures; reductions in research, statistical and other support activities; disbandment of Economic Planning Councils and the Clean Air Council, and other reductions in functions.		
Property Services Agency	£29.2m	4,730 staff
Reduction in building and dispersal programmes, contracting out maintenance of government buildings and general economy measures.		

---

Rt Hon William Whitelaw CH MC MP  
Home Office  
50 Queen Anne's Gate  
London SW1

Home Office

£2.9m 460 staff

Improved efficiency in police support and immigration control, and miscellaneous savings in areas not directly concerned with law and order.

---

Rt Hon Lord Hailsham of St Marylebone CH FRS DCL  
House of Lords  
London SW1

Lord Chancellor's Departments

£1.9m 450 staff

Savings from improved efficiency, computerisation, and some reduction in services at the Public Record Office.

---

Rt Hon Mark Carlisle QC MP  
Department of Education and Science  
Elizabeth House  
York Road  
London SE1

Department of Education & Science

£1.0m 155 staff

Reduced involvement in Local Education Authority matters, and modifications in procedures.

---

Rt Hon Norman St John-Stevas MP  
Cabinet Office  
Whitehall  
London SW1

Office of Arts and Libraries

£0.2m 35 staff

Reductions at headquarters, and staff savings in the departmental Museums in line with public expenditure reductions affecting ~~Trustee~~ institutions.  
MUSEUMS  
GENERALLY

---

Rt Hon Patrick Jenkin MP  
Department of Health and Social Security  
Alexander Fleming House  
Elephant and Castle  
London SE1

Department of Health & Social Security

£8.3m 1,705 staff



Measures to improve efficiency, reduce waste and simplify procedures in social security administration. Savings in health and personal social services work, particularly through implementation of Government policy for disengagement from and non-intervention in the activities of the National Health Service, local authorities and medical supplies industry.

---

Office of Population Censuses and Surveys £1.3m 275 staff

Savings in most areas of the department, including statistical, census and survey work.

---

Rt Hon Sir Geoffrey Howe QC MP  
HM Treasury  
Whitehall  
London SW1

Treasury £0.4m 40 staff

Abolition of certain functions, including Exchange Control, and other reductions.

Customs and Excise ~~£2.3m~~ <sup>£2.3m</sup> ~~465~~ <sup>465</sup> staff

~~Restructuring of Excise control on wines and spirits, Abolition of Exchange Control checks, and savings in general administration and procedures.~~

Inland Revenue £19.0m ~~5515~~ <sup>5515</sup> staff

Savings from the 1979 Budget measures, ~~and the~~ cancellation of rating revaluation, and ~~administrative savings and simplifications in administration and procedures.~~

Department for National Savings £4.4m 1,070 staff

Completion of mechanisation of National Savings Bank, termination of British Savings Bonds, and industrial group savings.

---

Rt Hon George Younger MP  
Scottish Office  
Dover House  
Whitehall  
London SW1

Scottish Office £3.9m 690 staff

Miscellaneous savings, largely in parallel with similar reductions in equivalent Whitehall departments.

Forestry Commission

£1.5m

240 staff

Improvements in efficiency, cutbacks in the planned planting programme and reduced provision for public recreation.

---

Rt Hon Nicholas Edwards MP  
Welsh Office  
Gwydyr House  
Whitehall  
London SW1

Welsh Office

£1.6m

235 staff

Miscellaneous savings, largely in parallel with similar reductions in equivalent Whitehall departments.

---

Rt Hon Humphrey Atkins MP  
Northern Ireland Office  
Great George Street  
London SW1

Northern Ireland Office

£0.7m

120 staff

Savings in areas not vitally concerned with law and order.

---



Treasury £0.4m 40 staff

Abolition of certain functions, including Exchange Control, and other reductions.

Customs and Excise £2.3m 465 staff

Abolition of Exchange Control checks and savings in general administration.

Inland Revenue £19.0m 5,515 staff

Savings from the 1979 Budget measures, cancellation of rating revaluation, and savings and procedures in administration.

Department for National Savings £4.4m 1,070 staff

Completion of mechanisation of National Savings Bank, termination of British Savings Bonds, and industrial group savings.

Department of Employment	£10.9m	2,575 staff
Revision of procedures for payment of unemployment benefit; reductions in statistical and support functions, and other savings.		
Manpower Services Commission	£20.2m	3,470 staff
Reductions in employment and training services.		
Health and Safety Executive	£2.2m	260 staff
Reductions in the activities of the general inspectorate and consequential savings.		
Advisory, Conciliation and Arbitration Service	£1.0m	100 staff
Extending qualifying period for unfair dismissal to one year, and other savings.		



20 NOV 1979





*Ant Service*

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALING 01-218 2111/3

MANAGEMENT IN CONFIDENCE

MO 2/2/6

15th November 1979

*Dear Christopher,*

*R-16/4*

Jim Prior sent me a copy of his letter to you of 2nd November about the views of the DE Group Staff Side on the staff reductions exercise.

I agree with Jim that maximum flexibility in rundown arrangements and maximum use of volunteers are two approaches most likely to ease relations with the Staff Side. But I suggest that we do not want to get ourselves boxed into a formal pledge over no redundancy. Future decisions could mean that a complete or major part of an activity should be cut out involving staff who are not redeployable elsewhere. I favour flexibility, but to be operated in the management's interest.

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

*James*

*Francis Pym*

Francis Pym

The Rt Hon The Lord Soames GCMG GCVO CBE

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE





116 NOV 1979

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Civil service



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

Secretary of State for Industry

15. November 1979

The Rt Hon Lord Soames GCMG GCVO CBE  
Lord President of the Council  
Civil Service Department  
Whitehall  
London SW1

R 074

*Dear Christopher*

I have seen Jim Prior's letter of 2 November about his discussion with the DEM Group Staff Side on the staff reductions exercise. Whilst I agree that it is important to maintain good staff relations by achieving the reductions as painlessly as possible, we must also surely guard against the possibility of good quality staff being persuaded to try their luck elsewhere. To encourage such staff to join and remain in the Service we need to maintain reasonable promotion prospects. Another important aspect is the cost of the whole staff reductions operation.

Up to a point a policy of using volunteers for redundancy where reductions cannot be achieved by natural wastage is attractive, but it could be taken too far; and that could mean the loss of the more talented because they might be concerned at reduced prospects in the Civil Service and could most easily find good jobs outside. This could perhaps be avoided by concentrating for volunteers on those nearest to retirement. Another course would be to facilitate early retirement for those who are less effective, as I suggested in my letter of 18 May on Civil Service motivation.

I am copying this letter to Cabinet colleagues and to Sir Robert Armstrong.

*Evans*

*Levi*



11 12 1  
9 8 7  
6 5 4  
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15 NOV 1978



MANAGEMENT IN CONFIDENCE

VMA

5 Nov

*see Christopher*

#### CIVIL SERVICE MANPOWER

At last week's meeting of the Cabinet there was some discussion of the ideas you and I had exchanged during our "bilateral" on the manpower reduction exercise for a close and continuing Ministerial involvement in the control of manpower and recruitment generally. I thought it might be helpful to you if I describe briefly the quite simple arrangements I have introduced in DOE. Obviously, the circumstances and needs of other Departments will differ and I cannot know of particular problems that might arise, but I am sure it is essential that there is Ministerial control and that this is possible without putting impossible demands on colleagues.

When I arrived in DOE last May there were 52,122 staff in post (non-industrial and industrial) of whom 12,252 were in DOE(Central) and 39,870 in the PSA. The comparable figures for the beginning of September, ie at the end of the 3 month ban on recruitment, were 50,649, 11,994 and 38,655 respectively. On 1 October the Departmental total had fallen to 50,284 (11,891 in Central DOE and 38,393 in the PSA). I confidently expect the 1 November figures will show a further fall. The reduction in numbers between 1 May and 1 October was just over 3.5% of the total. A breakdown of the monthly figures is attached. With wastage continuing at present levels (which is probable) and with continuing similar restraint on recruitment staff in post by the end of the present financial year could be about 48,200 - a reduction of between 7% and 8% since the General Election.

I do not see this latter figure as a target. I don't believe that it is right to set targets in this way. It is simply an extrapolation.

Some of the reduction is made possible by more efficient working arrangements such as less copying of papers, but obviously a continuing reduction in staff numbers must mean cutting out some functions. I believe that we all have to be prepared to adopt a radical approach to considering what tasks the Civil Service needs to be doing.

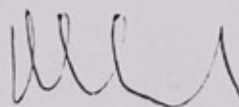


MANAGEMENT IN CONFIDENCE

These results are being achieved without anyone being made redundant. The system I operate is not complex. It consists in my receiving monthly reports of staff in post in both Central DOE and the PSA (a specimen copy is attached), and in my vetting personally all proposals for recruitment beyond certain limited delegations which I have allowed to two (and only two) officers - one in each Establishments Directorate. This arrangement applied to the exceptions I authorised during the three month general ban on recruitment and has continued since then. The attached note shows what proposals for recruitment have been put to me and my decisions on them.

I am sure that the success of this system lies in the close personal involvement of the Minister in charge of the Department and in a clear and selective recruitment policy. I believe that Norman Fowler whose Department shares common manpower and recruitment services with mine, operates a similarly effective system. It is not a universal panacea, of course, but it can surely do an awful lot to help achieve our objective.

Yours ever



MICHAEL HESELTINE

REQUESTS FOR RECRUITMENT SINCE THE THREE MONTH BAN WAS IMPOSED

Note: Requests for recruitment during the period of the three month ban were considered only where the essential work of the Department would have been damaged. Since the ban was lifted, while some recruitment has been resumed in the normal recruitment grades, the criterion set for officials in submitting requests has been the same as that applying during the ban. The bids below, therefore, seek to reflect this criterion, irrespective of the decisions taken.

DOE (Central)

<u>BID</u>	<u>SECRETARY OF STATE'S DECISION</u>	<u>REASON</u>
50 "singleton" posts in non-mobile grades (to be shared with DTp)	Yes	Vacancies for essential staff eg liftmen or telephonists in small local offices.
70 secretaries and typists in Central London (to be shared with DTp)	30 approved as DOE "share"	Over 100 vacancies
40 District Audit staff	No	Pending review of requirements.
12 Royal Parks Constables	Yes	Constabulary short of men: law and order element.
28 permanent 30 seasonal staff at Tower of London, Royal Palaces and Ancient Monuments	Yes	Urgent services, seasonal requirements. Costs met by admission fees, literature sales, etc.
20 Data Processors at Hastings Computer Centre	Yes	16 vacancies, wastage rate of 4 per month.
3 permanent 3 seasonal staff at Hampton Court Palace	Yes	To replace retirements, and prepare for winter season.
60 General service grades (typists, messengers, cleaners, etc)	Yes	But solely to offset wastage.



<u>BID</u>	<u>SECRETARY OF STATE'S DECISION</u>	<u>REASONS</u>
10 ADP staff	Yes	But solely to offset wastage.
'Singleton' posts for Ancient Monuments etc	Yes	To fill vacancies as they occur. But searching review of admissions arrangements to be carried out.
10 ATs	Yes	CSC Competition.
15-20 Planning Inspectors	Yes	To offset wastage.
30 Junior grade scientists and P&T grades. 84 under complement	No	Subject to review of requirements of individual cases.
20 District Audit staff	No	Pending review of service.
60 Clerical Assistants ) 25 Clerical Officers ) 10 Executive Officers )	Yes	For 2 months only.
15 Industrial grades (eg at Ancient Monument sites)	Yes	To replace wastage.
6 Scientists for environmental and nuclear waste management	Yes	Urgent requirements.
2 Junior scientists for operational systems analysis work	1 Approved	To back up senior staff.
22 Junior scientists in miscellaneous divisions	No	Should be redeployed from less urgent work elsewhere.
<u>PSA</u>		
100 Industrials	Yes	To meet essential needs at key defence installations and USAF bases in UK and installations in Northern Ireland.

BIDSECRETARY OF STATE'S DECISIONREASONS

Further 150  
Industrials (spread  
over 3 months)

Yes

To replace wastage in essential operational posts, including MOD and USAF establishments.

50 Non-industrials

Yes

To fill key singleton posts and essential posts for health and safety reasons.

Further 150 Non-  
industrials (spread  
over 3 months)

Yes

To fill key posts and to maintain essential services to clients, in particular MOD.

100 Students

No

To provide for PSA's need for trained professional and technical staff in future years. The Secretary of State was not convinced of the need. Future Policy on student recruitment is still to be discussed.



CENTRAL DOE: STAFF IN POST (NON INDUSTRIAL)

Deputy Secretary Group/ Other Directorates	1/6/79	1/8/79	1/9/79	1/10/79	1/11/79	1/12/79
Deputy Secretary A	464.5	462.5	462.5	456.5		
Deputy Secretary B	490	481.5	476.5	475.5		
Deputy Secretary C*	2681	2670.5	2656.5	2629		
Deputy Secretary D	428.5	423.5	421.5	412.5		
Deputy Secretary E*	1084	1076.5	1073	1061.5		
Deputy Secretary F	376	354	352.5	352.5		
Deputy Secretary G	1446.5	1429.5	1419	1415.5		
Regional Offices *	1691.5	1681	1661	1646		
District Audit	622.5	616	613	610		
Finance Directorates	363	352	348.5	344.5		
Planning Inspectorate *	394	389	391	391		
Others (including Legal *)	286.5	291.5	287.5	288.5		
<b>Total:</b>	<b>10328</b>	<b>10227.5</b>	<b>10161.5</b>	<b>10083</b>		

\* Common Services or serving DTp as well as DOE.

DOE STAFF IN POST

	1.5.79		1.6.79		1.7.79		1.8.79		1.9.79		1.10.79	
	DOE (C)	PSA	DOE (C)	PSA	DOE (C)	PSA	DOE (C)	PSA	DOE (C)	PSA	DOE (C)	PSA
Non Industrial	10334	19339	10328	19357	10240	19284	10226	19256	10160	19166	10081	19080
Industrial	1918	20531	1886	20381	1892	20082	1840	19757	1834	19489	1810	19313
Sub Total	12252	39870	12214	39738	12132	39366	12066	39013	11994	38655	11891	38393
TOTAL	52122		51952		51498		51073		50649		50284	
Monthly rate of reduction			0.3%		0.9%		0.8%		0.8%		0.7%	

% reduction May-October 3.5%





Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

The Rt Hon Lord Soames GCMG GCVO CBE  
 Lord President of the Council  
 Civil Service Department  
 Whitehall  
 LONDON SW1

2 November 1979

*Dear Lord Soames*

During a discussion with the DE Group Staff Side about the 10/15/20% staff reductions exercise the Staff Side - not unnaturally - asked about the possibility of a pledge that there would be no compulsory redundancy. I could not do other at this stage than take the line which you took when you met the National Staff Side on 11 September - that there would be great difficulties in giving an absolute no redundancy pledge but that the Government would want to rely on natural wastage to the greatest possible extent. Nevertheless I said that I recognised the value in industrial relations terms of avoiding compulsory redundancy if that were at all possible. Fear of compulsory redundancy could generate powerful support for the unions' anti-cuts campaign, which, without it will be seen as largely politically inspired.

Much will depend, of course, on the extent of cuts eventually decided and on the speed of implementation. But even if, overall, the extent and rate of cuts are within the projected losses from natural wastage I recognise that there are bound to be difficulties with specialist groups of staff and with non-mobile staff in relatively isolated locations where the opportunities for redeployment are few or even non-existent.

We do, however, need to assess the relative costs in terms of industrial relations as well as money and a too single-minded pursuit of economy in striving to achieve the very necessary reduction in staff numbers by a penny-pinching attitude to compensation for "willing victims" could so sour the industrial relations climate as to be counter-productive. I know that officials are giving a good deal of thought to this matter and I do not at this stage want to get involved in the detail of what I know only too well is a highly complex area. I merely make a plea for maximum flexibility in seeking to achieve the run-down in staff numbers so that, even though a copper-bottomed no-redundancy pledge may be thought impossible, we shall, at the end of the day, be able to demonstrate we have made the maximum possible use of volunteers.

I am copying this to Cabinet colleagues, and to Sir Robert Armstrong.

*John Gorton*

*Post this to  
 Civil Service*

*MBM*

*12*

*12*

*92*

2 - NOV 1979







*Conf. Secy*

10 DOWNING STREET

*From the Principal Private Secretary*

Mr. Robinson

National Whitley Council - Manpower  
Reductions

The Prime Minister has seen Sir Ian Bancroft's minute to the Lord President of the Council which you sent with your minute of 26 October, 1979, to me.

C. A. WHITMORE

1 November, 1979.

MANAGEMENT IN CONFIDENCE

*[Handwritten signature]*

Ref. A0537

PRIME MINISTER

---

Reducing the Size of the Civil Service

The reductions offered by Customs and Excise include a reduction of 220 staff in their statistical services.

2. When we arrived home yesterday evening I found a minute from the Head of the Government Statistical Service saying that this implied a 25 per cent reduction in the Statistical Office of Customs and Excise. He informs me that this would have serious implications for the trade figures: Customs and Excise would have to reduce the effort now devoted to verifying the data, and the balance of trade could be measured only to the nearest £250 million or so (instead of, as at present, to the nearest £100 million).

3. In addition, the reduction would ~~have~~ put at risk new proposals recently approved by Ministers for recording exports after 1981, and the Customs and Excise would be obliged to put additional burdens on to traders, in the documentation which they would require for exports.

4. I should like to look into this a little further, but in the meantime you may wish to say to the Chancellor of the Exchequer that you understand that the reductions proposed in the statistical services of Customs and Excise would involve a significant loss of accuracy in the trade figures, and therefore a significant increase in the risk of errors in the figures which could affect economic judgments: has his attention been drawn to this consequence, and is he prepared to accept its implications for economic judgment and forecasting? The consequence would of course be bound to come to public notice, and indeed would probably have to be announced in some way.

ROBERT ARMSTRONG

(Robert Armstrong)

1st November, 1979



Copy on: Defence, Budget.

PRIME MINISTER

c.c. Mr. Wolfson  
Mr. Whitmore

Meeting with the Chancellor at 0930 on Thursday, 1 November

I don't know of anything in particular which the Chancellor wishes to raise with you tomorrow morning. He was to have discussed the Bray forecast (i.e., the forecast of the balance of payments, RPI, etc., which has to be published before the end of November), but the Chancellor is not yet ready with firm proposals - he will be minuting you over the weekend.

The Chancellor may want to have your reaction to his minute on defence expenditure, which Clive took to Bonn. I think the only issue now is how and when to reveal the deal which has been agreed between Treasury Ministers and Mr. Pym to Cabinet colleagues. But you don't need to decide this immediately.

You might just take the opportunity of discussing the papers for Cabinet. On vehicle excise duty, you might query the Chancellor's reasons for wanting VED to continue: my own feeling is that he exaggerates the advantages of so-called "fiscal flexibility". Of course, we need the money; but the unpopularity of raising petrol duty would be matched - in my view - by the popularity of abolishing VED. And of course, abolition would give us substantial staff savings, as well as being good for energy conservation.

Lord Soames' paper on "Further Action to Reduce the Size of the Civil Service" is difficult. I have provisionally asked Lord Soames to join you and the Chancellor at 0945 to discuss it.

Lord Soames' paper offers three choices for decision. Cabinet are likely to go for either.

(i) Announce savings of 6% plus vague promises of more to come.

Or

(iii) Announce savings of 6% as an interim measure with firm promises of more to come next Spring.

/ Option (i)



Option (i) is the more likely outcome I think, since (iii) presupposes the outcome of the MOD manpower studies and certain policy decisions (listed in Annex 4). If (i), there is the question of whether the present exercise which has been carried out separately from the public expenditure exercise should be carried forward as part and parcel of next year's public expenditure exercise.

There may have been advantage in looking at Civil Service staff as a separate exercise this year when the Government knew there was staff "fat" in programmes, and when a reduction in Civil Service staff was being sought - to some extent - for its own sake. But as soon as functions and policies have been looked at as a way of finding savings, there has been an untidy overlap with the public expenditure review. Taking into account the fact that CSD have not carried out the present exercise very well, there may well be a case for making the search for further staff savings under the umbrella of next year's expenditure review - with the Treasury taking overall responsibility. Under this formula, the CSD would assist the Treasury in identifying public expenditure savings (including staff cuts), rather than offer their own options. This is the way PESC should have been conducted in the past. In practice, CSD have contributed very little to previous PESCs - which is one reason why we set up this year's quite separate exercise. What I am suggesting is an improved PESC next year with staff options being given greater attention than they have been in the past.

You don't need to reach a firm view on this question now, but you might like to mention it to the Chancellor and the Lord President as something which needs to be considered. We could ask that this question be covered in the review of PESC methods which Sir Robert Armstrong and the Treasury have set in hand. (There is of course also the wider question of the future of the Treasury and the CSD. There are some - including John Hunt - who think the public expenditure control function of the Treasury should be taken out of the Treasury and integrated with the staff



control function of the CSD to form a new "Department of Public Expenditure". Others think that the CSD should go back to the Treasury. In both cases, the present illogical division of control over expenditure programmes from control over staff - which are the main cost element in many programmes - would be ended.)

TL

31 October, 1979.

CONFIDENTIAL

PRIME MINISTER

Further Action to Reduce the Size of the Civil Service  
(C(79) 51)

BACKGROUND

At the previous meeting on 13th September, Cabinet decided in principle to seek savings of 10 per cent in Civil Service staff costs, and sent the Lord President away to discuss the possibilities with Departmental Ministers. The postponement of the resumed discussion of public expenditure will allow any savings agreed in the present discussion to be taken into account in the final tally on public expenditure.

2. The Lord President wants to make an early announcement about manpower savings. There is no set timetable for this, but there would be advantage in getting it out of the way before the start of negotiations on Civil Service pay (in January or February). The Staff Side response to any announcement is likely to be hostile, and E(CS) (the new Sub-Committee on Industrial Action in the Civil Service, chaired by the Lord President) is examining the state of the Government's defences if hostility is carried to the point of industrial action.

3. The overall response from Departments has been disappointing. It amounts to firm offers of 6 per cent, or about £250 million, annually. But this takes some time to build up. Much of it depends on controversial legislation, which cannot be enacted for one year, or in some cases for two years. Moreover, the figures quoted by the Lord President are gross, and in many cases there are substantial (though in this paper unquantified) offsets. It is only the net savings which can be carried forward to the Treasury White Paper on Public Expenditure.

HANDLING

4. The discussion divides naturally in two parts: ratification of the 'firm offers' and discussion of the 'other bids'. But you might start by inviting the Lord President to introduce the paper and report on the position generally.



No indications by  
let off hook.

- 0% of spread curve  
- Decided now  
- future decisions

Trade.  
DHSS.  
Under-

CONFIDENTIAL

5. You might then seek confirmation that no Minister wishes to object to any of the offers listed in Annex 1 (and summarised in Annex 2) - other than the five 'controversial' items also noted in Annex 4: you should leave discussion of these till later in the meeting. There is a risk that the 'good boys' will retract some of their offers when they see how small are the offers made by the 'bad boys'. There is also some evidence that the CSD paper makes some of the 'firm offers' rather more solid than was intended by the Ministers concerned. I suggest that you should make it very clear that an offer, once made, cannot be withdrawn on grounds that others are getting away more lightly. There may, however, be real problems about some of the offers: the action needed is listed in Annex 3, and the legislation required is listed in Annex 6. You may in particular want the views of the Leader of the House on the realism of getting all this legislation through in time. And is the Chancellor prepared to be more specific about the administrative changes and unspecified budgetary measures (listed in Annex 3) which together account for 8,500 of the firm offers.

6. You should then turn to ways of 'bridging the gap' between 6 per cent and 10 per cent. Paragraph 4 lists the action needed.

- (a) Defence. The Secretary of State has already promised a firm 3 per cent saving (details at the beginning of Annex 3). But, whatever the decision on the Defence budget as a whole (which I hope may be settled outside Cabinet, though it will have in due course to be reported), he will certainly resist a further 7 per cent cut. He will argue, as he did last time, that the in-house studies already commissioned (listed with others, in Annex 5) will not be completed until 31st March, and that he cannot commit himself to the outcome. It will be difficult to shake him on this (and his argument that we should build upwards from the facts rather than downwards from arbitrary targets - particularly in a sensitive 'priority' area such as defence - would be likely to attract a good deal of backbench support if it were deployed in public).
- (b) Other policy decisions listed in Annex 4 (4 out of 5 of these come from DHSS).



CONFIDENTIAL

(i) Employers' Sick Pay for first Six Weeks of Benefit.

This should be fairly straightforward. The Chancellor has already taken credit for the corresponding savings in his expenditure calculations. It will take time, and cause difficulty with industry. But (unless the Secretary of State for Industry unexpectedly objects) I think the Cabinet can take it this saving will eventually be made.

(ii) Unified Housing Benefit.

A paper on this proposal is due to be taken in H Committee in late November/early December. There are a good many problems. It means transferring work from central Government to local authorities, and inflating their staff numbers (though there should be an overall net reduction). The scheme under discussion is supposed to be 'no net cost' in terms of benefit paid out. But this means depriving some existing beneficiaries of part of their benefits, in order to give more at the lower end of the scale. This becomes progressively harder, in practice though not in principle, as Council house rents rise. I doubt if Cabinet can safely score this saving until H has completed its work.

(iii) Simplified Supplementary Benefit. This item is contingent on the introduction of unified housing benefit and cannot be scored in isolation.

(iv) Transfer of Pensions to Fortnightly Payment.

This one should be all right. There will be problems over union resistance and public acceptability (despite the success of the Rayner trial study of fortnightly payment). There will also be a temporary increase in public expenditure in the year of transition (because of the need to pay out one extra week's benefit: the new system requires payment of one week in advance and one week in arrears, instead of the present one week in arrears). But, in principle, this saving looks fairly secure.



CONFIDENTIAL

(v) Removal of Bankruptcy from the Insolvency Services.

The Secretary of State for Trade is a keen advocate of this measure, but there may be difficulty with the Lord Chancellor: the measure would add to the workload of the Courts and reduce the net savings. Because of the need for legislation, it would not produce anything until at least 1981, and perhaps later.

- (c) Abolition of VED or other equivalent Savings. Cabinet will have reached a view on VED under the previous item on the Agenda. If its abolition has not been agreed, you will want to see what other savings the Lord President can suggest to make good the loss of £10 million. He does not suggest any in this paper.

7. Having reviewed these possibilities, the Cabinet then has to decide the next moves, from the three options set out in paragraph 5.

- (i) Announcing 6 per cent plus vague promises. This is the safest route because it builds on the offers and avoids hostages to fortune. The Lord President, however, judges it to be politically unacceptable. A lot will turn on whether the Cabinet as a whole shares his political judgment.
- (ii) Taking the decisions listed above immediately. The Lord President judges this course to be unrealistic. The Cabinet is likely to agree with him.
- (iii) Splitting the operation: Announcing a 6 per cent cut now as an interim measure, with firm promises of more to come next year: this is the Lord President's preferred option. The choice between it and option (i) turns on whether the Cabinet is sufficiently sure of delivering the goods in the spring to risk signing up on a public statement.

8. Our guess is that the Cabinet will favour option (i) leaving the political difficulties to be overcome by presentation and promises to continue the search for economy with the aid of Rayner etc. This is the weak option, in fact it fails to meet the known aim of 10 per cent; in its favour it can be argued that it is the realistic option: the Government has had a thorough look, and will go on looking, but is not going to offer what it does not know to be available.

But this is  
not public  
knowledge

IL

CONFIDENTIAL

9. You will of course want to form your own view on all this, and perhaps discuss briefly with the Lord President before the meeting.

10. Consequential Action. Whatever course is decided, you will want to agree that the Lord President should circulate the text of a draft announcement to you and to the Cabinet.

11. Further Growth. The Lord President also wants a Cabinet commitment to offset any new staff requirements by further savings. I am not sure whether you will want to get agreement on this: but Cabinet might be prepared to accept the principle, leaving the CSD to administer the exceptions, with appeal to you in case of difficulty.

CONCLUSIONS

12. Subject to discussion, the conclusions might be:-

- (i) to endorse the 'firm offers' listed in Annex 1; excluding those also listed in Annex 4.
- (ii) to agree either

- (a) to announce savings of 6 per cent now plus an unquantified promise to keep up the good work in future;

- OR (b) to agree a two-stage operation, with announcement of 6 per cent now plus a firm commitment to announce a substantial second package in the spring /note: on the Lord President's formulation this would also mean Ministers agreeing now to find an extra 7 per cent from Defence; to implement the decisions in Annex 4; and to agree the abolition of VED or to find equivalent savings, i. e. he is seeking a commitment to 10 per cent savings by next spring/;

- (iii) to agree to pursue 'a continuing and rigorous containment of staff expenditure' with new additions normally matched by compensating savings;

- (iv) to invite the Lord President to clear the text of any announcement in advance with Cabinet colleagues.

*Mr.*  
*RP*

(Robert Armstrong)

31st October 1979





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

R 30

October 1979

*Derek Peth*

*R MW*

STAFF CUTS

In your minute of 19th October to the Lord President, you mentioned the need for Francis Pym and myself to make commensurate reductions in posts, like Washington, where staff were not funded by the Diplomatic Service.

Apart from the Head of the Delegation and his secretary, the Treasury's non DS staff in Washington comprise about 30 locally engaged staff and one home based officer employed in the procurement section of the UK Treasury and Supply Delegation. We had proposed in the context of the Lord President's cuts exercise that the section should be reviewed under the auspices of Sir Derek Rayner and we intend to press ahead with this very soon. We shall need to consult the Ministry of Defence about the alternatives since about 8 per cent of work relates to defence contracts.

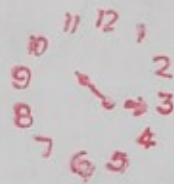
Although not part of the same exercise, we shall also be looking at the posts usually filled by Treasury staff which are DS funded. I do not think they are "single purpose" jobs in the sense that you describe others in paragraph 6 of your minute, but we need to be sure that the numbers and grades can be justified. Until we have looked at these in more detail we cannot say whether any changes are justified, but we shall keep the FCO in touch with what is proposed.

I am copying this letter to the Prime Minister, the Lord President and to the Minister of Defence.

*[Signature]*  
(GEOFFREY HOWE)

The Rt. Hon. The Lord Carrington, KCMG, MC.

30 OCT 1979





CONFIDENTIAL



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

Rt Hon Lord Soames GCMG, GCVO, CBE,  
Lord President of the Council,  
Civil Service Department,  
Whitehall,  
SW1A 2AZ.

30 October, 1979

*Dear Lord President,*

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

I am concerned, in the light of our correspondence over the application of this exercise to the Northern Ireland Office, to note that C(79)51 gives the misleading impression of the options savings I have identified.

As you will recall, we have agreed that the hard core of my law and order programmes should be exempted from the exercise and that the base from which I should start would therefore be the cost of the remainder of the NIO. You will also recall that these savings are being found from the Northern Ireland Office expenditure; expenditure by Northern Ireland Departments is being dealt with as a quite separate exercise with the Chief Secretary.

A more accurate presentation of the savings I have identified would therefore be:

	<u>Base</u>		<u>Savings Offered</u>	
	<u>£m</u>	<u>Staff</u>	<u>£m</u> <u>(gross)</u>	<u>Staff</u>
NORTHERN IRELAND OFFICE	10.0	1520	1.0 (10%)	154

(Excluding hard core law and order).

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

*Yours sincerely*  
*Humphrey Atkins*

Humphrey Atkins  
(Signed on behalf of the Secretary of State in his absence)

PP





*Prime Minister*  
Mr Pym's proposal would be consistent with the two-stage approach which is one of the options in Lord Soames' paper. But it means putting a lot of faith in the MOD's good intentions.  
Are you ready to see Mr Pym?

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALLING 01-218 2111/3

*Not before Monday 29th*

PERSONAL AND CONFIDENTIAL

29th October 1979

MO 2/2/6

*Dear Prime Minister,*

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE - C(79)51

There are aspects of the Lord President's proposals in C(79)51 which worry me considerably. I am very anxious for the Ministry of Defence to play its full part and should be glad if I could have a word with you.

Paragraph 3 of Christopher Soames's paper regards the outcome of the manpower exercise as "very disappointing". I think it is a good start, although only a start. In this Ministry it will be 15,000 staff, and I can assure you we shall deliver that saving. I suggest there should be a plan for continuing six monthly reports to Cabinet with perhaps a major public statement once a year. In that sense I support paragraph 5 (iii) of the paper.

I accept that it is incumbent upon us to sustain the drive within all our Departments. But I do not see how a "commitment" now to find a further 7 per cent is compatible with the point made in our earlier discussion that transfer to the private sector should be done only when it proved to be cheaper or at least broke even in cost terms. Annex 5 to the paper lists the three major studies I have set in hand, each one under the personal direction of a Minister and affecting between them 100,000 staff. Reports are to be sent to me by the spring when I shall be able to assess how big a reduction I can recommend.

/Apart ...

The Rt Hon Margaret Thatcher MP

*Lord Soames has only scored 7,500. His figure is the right one. The extra 7,500 counted by Mr Pym consists of staff savings made this year. But this year is the base year for the whole exercise.*



PERSONAL AND CONFIDENTIAL

Apart from these large self-contained areas, civilians are employed as essential support at the hundreds of military establishments in this country and overseas. The Chiefs of Staff have expressed their great concern to me that arbitrary reductions will have a severe effect on their operational effectiveness, and I am very concerned at the possible consequences at a time when we are trying to build up the morale and capability of our Forces.

In all this I am not saying that we cannot make savings. I am determined that these should be significant. But I just do not know how great until the very complex issues have been fully weighed. Most of my anxieties could be met if the Cabinet were to accept that the approach I should adopt to the second tranche would be to seek to find all possible savings that did not cost extra money or reduce the effectiveness of the Armed Forces, and that we review progress in the spring. To go further would in my judgement be incompatible with our defence posture and perhaps impossible to explain to the Armed Forces and civilian staff alike. It would also contradict in public the efforts you and I have been making, and which I think are just beginning to bear fruit, to educate people about defence and explain our determination to have an effective defence programme.

*James*  
*Francis*

Francis Pym

810

Prime Minister.

A minute from the  
Staff Side.

AMH  
29.x.79.

MR WHITMORE

NATIONAL WHITLEY COUNCIL - MANPOWER REDUCTIONS

Following a meeting of the National Whitley Council on 23 October Sir Ian Bancroft sent a minute to the Lord President of the Council conveying the views which the National Staff Side expressed at the meeting. I attach a copy of the minute and I should be grateful if you could bring it to the attention of the Prime Minister.

2. The minute has been copied to all Permanent Secretary Heads of Departments with a similar request that they bring it to the attention of their Ministers.

T. J. Robinson

ms

T J ROBINSON  
Acting PS/Sir Ian Bancroft

26 October 1979



LORD PRESIDENT OF THE COUNCIL

cc Minister of State

CIVIL SERVICE MANPOWER REDUCTIONS

On Tuesday, 23 October, the Civil Service National Whitley Council met at the request of the National Staff Side for the second time in recent years.

2. The only item on the agenda was that of manpower reductions. The Staff Side wished the Official Side to be aware of the strength of feeling among Civil Service unions and of the crisis of morale among staff which they said the options exercise had provoked.

3. First, they reiterated the point made at your meeting on 11 September that they believed that the unions had a legitimate interest in the functions performed by Government and the level at which they were performed, and that they had a right to challenge the proposed expenditure cuts both in national debate and in negotiation with their employer.

4. Second, they felt that since their meeting with you there had been a developing political attack on the Civil Service and on the unions and growing hostility from the Government as an employer. They were concerned that my Permanent Secretary colleagues and I were not adequately representing to you and to other Ministers the interests of civil servants.

5. Third, they feared that targets for the options exercise were arbitrary and that the effects would also be arbitrary. Even the minimum figure of 10% would bring serious problems of redundancies, reduced career opportunities and poor promotion prospects. All these would further reduce morale.

6. Fourth, they maintained that what they saw as a failure to provide adequate information about the options exercise had seriously impeded them in trying to influence the decisions. In addition, they criticized the unevenness of consultation in Departments, claiming that in some there had not been even a minimum measure of consultation.

7. Finally, they were concerned about the way the Rayner exercise was being conducted. They accepted that some media coverage was inevitable but said that reports of large scale inefficiency and waste were adding to already serious morale problems. Moreover, it appeared to them that civil servants were being excluded from the exercise and that the consultation system was being by-passed.

8. In response I reiterated what the Lord President had already told them: namely that it was for the Government to decide what should be



the functions of the Civil Service and for civil servants to carry out the decisions of the elected Government of the day. The Government was elected on the basis of a Manifesto which made clear its intentions with regard to public expenditure, and it would be answerable to Parliament for the effect of its decisions. I did not recognize that there had been any change since 11 September, or that there had been any attack on the civil servants as such. There was however continuing concern about the range and complexity of the functions they had been given to do.

9. I emphasised that there were no arbitrary targets for cuts. The option levels were set purely to enable the effects of different cuts to be examined. It would be for Ministers collectively to judge the pros and cons in each case.

10. I rebutted accusations that senior officials were not defending the interests of the Service, and I assured the Staff Side that my colleagues and I always brought to the attention of Ministers all relevant considerations affecting the Civil Service and the well-being of its staff. I refused to accept that it was sensible for them to attack senior officials for not, in effect, publicly criticising Government policies. I also challenged the Staff Side to consider whether all their actions were in the best interests of the Service and its members. In the end what we all wanted was an efficient, fairly paid and tauter Service.

11. On consultation, I reminded the Staff Side of the various meetings that had taken place since May. I accepted that the extent of consultation had varied between Departments due partly to different customs and practices and partly to the sensitivity of some of the options which were being considered, general knowledge of which would only have added unnecessarily to the worries of staff. Nevertheless, Departments had consulted their Staff Sides to the fullest extent possible in their own circumstances. Although I could give no promises on timing, I did give an assurance that decisions would be announced as soon as possible after they had been taken and that there would be full consultations with Staff Sides at national and Departmental levels on implementation.

12. On the Rayner exercise I told the Staff Side that while Sir Derek had said he was sure that savings could be made, he had been assiduous in making clear that he was not critical of civil servants. On the contrary, he was impressed with the contributions they were making to his projects. Senior officials were not being excluded from the exercise and the normal processes of consultation were not being by-passed.

13. I ended by saying that we all shared a responsibility for the well-being of the Service and for the esteem in which it was held by the outside world, and I undertook to convey the Staff Side's views to you and to other Ministers.

14. I am copying this minute to No 10 and to other Permanent Secretary Heads of Departments with a request that they bring it to the attention of their Ministers.

IAN





Civil  
Service

DEPARTMENT OF HEALTH & SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

R

26/10

The Rt Hon The Lord Soames CCMG GCVO CBE  
The Lord President of the Council  
Civil Service Department  
Whitehall  
London SW1

25 October 1979

Dear Christopher,

FURTHER REDUCTIONS IN THE CIVIL SERVICE

I am sorry that I cannot promise quite what you ask in your letter of 12 October.

On all three items you mention, that is, making employers responsible for sick pay for the first six weeks, Unified Housing Benefit and paying benefits fortnightly instead of weekly, I see little prospect of reaching inter-Departmental agreement by 1 November. Officials are involved in consultations but there are still a number of important matters to be settled before the three items can begin to be considered by colleagues collectively.

I think therefore that it will not be possible to say on 1 November that these proposals are agreed and firm; it will be some considerable time before they reach that stage. What can be said is that they represent the type of issue on which the Government is determined to seek economies in manpower and administrative costs, they offer the prospect of savings of a significant size, and therefore they will be pursued vigorously. I certainly have every intention of realising these savings to the maximum possible extent, but I am doubtful of the wisdom of scoring them firmly now. Any scoring must, I consider, be expressly contingent upon the achievement of the proposals.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and Sir John Hunt.

Yours ever  
R  
Patel

25 OCT 1979





Civil Service Department,  
Whitehall,  
London, SW1A 2AZ

*With the Compliments  
of the  
Private Secretary  
to the  
Lord President of the Council*

CONFIDENTIAL

Prime Minister Civil Service  
Mr Alexander Hunt

CONFIDENTIAL



Civil Service Department

Whitehall London SW1A 2AZ

01-273 4400

22 October 1979

Brian Norbury Esq  
Private Secretary  
Secretary of State for Defence  
Main Building  
Whitehall  
LONDON SW1A 2HB

Dear Brian,

CIVIL SERVICE STAFF CUTS

You and the other recipients of this letter will want to see the Foreign Secretary's minute to the Lord President of 19 October. The final sentence of paragraph 5 is not one with which we can help directly.

Copies go to Tony Battishill (Treasury), Ian Ellison (Industry), Stuart Hampson (Trade), Ian Fair (Employment), John Chilcot (Home Office) and Tim Lankester at No. 10.

Yours sincerely,  
Jim Buckley.

J. BUCKLEY  
Private Secretary

Enc

CONFIDENTIAL

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CONFIDENTIAL

22 OCT 1979



CONFIDENTIAL





CONFIDENTIAL

FCS/79/16.

LORD PRESIDENT

Staff Cuts

Code 7.29.

1. When we met on 3 October I undertook to consider what further savings I might be able to find in response to the decision in Cabinet on 13 September asking all Departments to examine again what contributions they could make to your exercise.
2. As you know, I announced on 17 October my decision to close or substantially reduce 23 subordinate posts. In drawing up the list of closures we chose those where we thought closure would cause the least damage. Even this list, however, has led to objections. The Australians, at both Federal and State level, have already complained strongly about the closure of Adelaide, and the Austrian Government have made similar representations about the closure of Innsbruck. I hope that it will now be doubly evident that, as I have made clear all along, there is a serious price to pay for reductions of this kind abroad.
3. I should also like to repeat that I do not believe that it makes sense to reduce our overseas representation in an exercise which was targetted on over-government. Reductions in overseas representation not only hit the wrong target but cause serious damage to the only means we have in most of the world to protect our interests. This seems to me a nonsensical way of proceeding. In promoting our interests abroad we are not profligate in the use of staff. 43 of our posts have only one or two UK-based staff. 93 have 6 or fewer. Only 6 have more than 50 funded by the Diplomatic Service.
4. If, however, in spite of the merits of the case, I am called upon to provide further savings, then the next place I shall have to look is at the larger Missions. These Missions are large because they protect our interests in some of the most important capitals in the world and reductions in them will not be achieved without a significant loss of coverage of important issues. The scale of services they provide to Departments at home and to a whole range of visitors including Ministers, MPs and leading businessmen, would

/also

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also have to decline. But these Missions are the only place where substantial savings could be found, and if I am required to provide such savings then it will have to be in the form of a 10% reduction in DS-funded staff (including seconded Home Civil Servants) in the 10 largest of them.

5. Some of the economies which will have to be made will require the amalgamation of some "single purpose" attache jobs (eg Labour Attaches) into one general purpose post. The remaining staff will only be able to handle the essential needs of the Home Civil Service Departments concerned. I shall need your support and assurance that this is understood and accepted by these Departments.

6. I have also considered to what extent we should transfer the cost of remaining "single purpose" attache jobs from the DS vote to the votes of the Home Departments which they serve. Given the present emphasis on immigration control it would not serve much purpose simply to transfer the cost of immigration staff abroad to the Home Office. Nor do I believe that it would be right to recommend the transfer of Home Civil Service staff where these are fully integrated in our Missions, eg in the commercial and economic field. But, in other cases, where it is accepted that a "single-purpose" attache is still required, I propose that the Home Departments concerned should in future themselves carry the cost. This would apply particularly but not exclusively to Labour, Scientific and Technology attaches. While the savings to our vote would not be large, it would be a useful discipline for the Home Departments to accept financial responsibility for such attaches.

7. As I have already explained, in a number of posts, and particularly in Washington, the majority of staff are not DS funded. It will have to be understood that commensurate reductions will have to be made in such staff in the major capitals funded by other Departments, eg the Ministry of Defence and the Treasury. The balance of our representation abroad will be totally upset if we keep reducing our effort without matching reductions by other Departments. You will no doubt be taking this up in your bilateral meetings with Francis Pym and Geoffrey Howe.





8. I undertook also to look at the staff in the Foreign Office itself. Here I have already offered a reduction of 120. I will add another 100 to make it 220, which means in effect 7½% of the Foreign Office staff, leaving aside Communications and other ancillary organisations to which special considerations apply. These additional 100 posts will save £0.6m. For good measure I will add in £300,000 to be found through staff savings at home and abroad, to be identified through our inspectorial system.

9. I have also reviewed our Communications system. One of the options covered in my July return concerned Communications in the Far East. To close the relay station at Darwin would seriously affect our communications network there. But I am prepared to find savings worth £500,000 from reductions in manning at home and abroad and other sources in our Communications budget.

10. On the Passport Office we have already commissioned a survey of how automatic data processing techniques could improve efficiency and reduce the level of staff required. I am therefore prepared to accept the target for savings of £600,000 in the Passport Office as soon as ADP techniques can be introduced to achieve it. But experience has shown that the lead times are long and I cannot therefore commit myself to achieving this target by 1 April 1982.

11. We shall not be able to achieve the reductions that I have outlined simply by natural wastage or lower recruitment. There are bound to be redundancies at all levels, with consequent costs. As soon as we know the scale of such redundancies, we shall be in touch again with your officials about what needs to be done.

12. In sum the savings which I can offer including the £2.5m already agreed are:

- |  |        |
|--|--------|
| (a) Already agreed (23 posts closures etc and reductions in the FCO)                           | £ 2.5m |
| (b) 10% staff savings at our 10 largest posts (including savings on "single purpose" attaches) | £ 1.5m |
| (c) Saving of an additional 100 posts in the FCO   | £ 0.6m |
| (d) Additional staff savings to be identified through the inspectorial system                  | £ 0.3m |





(e) Savings in the communications area	£ 0.5m
(f) Passport Office (contingent on the introduction of ADP)	£ 0.6m
	<hr/>
	£ 6.0m

In total therefore we shall have found 4.2%.

13. I think it will be evident from what I have said above that savings at this level will cause damage to our diplomatic effort overseas, and I repeat again that the action which I am being called upon to take seems to me not only damaging but irrelevant to the objects of the exercise; but on that understanding the above is the best I can do.

*C*  
(CARRINGTON)

Foreign and Commonwealth Office

19 October 1979

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Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

19th October 1979

*Dear Jim,*

THE LORD PRESIDENT'S EXERCISE

.....  
In our haste to meet your deadline, we left out the Annex to the Chancellor's letter of 18th October to Lord Soames. Please find it herewith.

I am copying this letter to Tim Lankester.

*Yours ever,*

*ME*

(M.A. HALL)

J. Buckley, Esq.,  
Private Secretary to  
The Lord President of the Council



LORD PRESIDENT'S EXERCISEINLAND REVENUEFurther Administrative savings

	<u>Numbers Saved</u>	<u>Staff Cost Saved</u>
PAYE on holiday pay	100	£ 0.42m
Further reductions on information slips	300	£ 1.26m
Paying all staff monthly by direct bank transfer*	100	£ 0.45m
Total	500	£ 2.13m
	—	—
Add 4% for 'related staff'	520	£ 2.22m
Total, original offer plus further savings	<u>8263</u>	<u>£28.50m</u>

\*This saving could be realised only as the outcome of negotiations between CSD and the National Staff Side

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19 OCT 1979



Noh,

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2 pps

1

The Prime Minister was able to discuss this with Lord Soames for only five minutes today. There was no substantive discussion, and it was agreed that Lord Soames



Prime Minister.

Are you ready to discuss this with Lord Soames on Tuesday?

Yes  
19x.

PRIME MINISTER ~~cannot~~ commit his paper to Cabinet reporting ~~where~~ position his message has reached. Take to Tuesday. ~~19x.~~

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

1. I am planning to report back on 1 November following Cabinet's decision on 13 September to aim for savings of at least 10% in Civil Service manpower expenditure. I propose to circulate the paper no later than Friday, 26 October.
2. I think you ought to know that I am deeply disappointed by what has so far emerged. Although there may be some very minor changes, overall we have firm offers for savings amounting only to some 5.6%, with a further 1.6% which depend on us taking some major controversial policy decisions. These savings take no account of the cost of putting some work outside the Service. Not all are achievable by the target date of 1982-83. Some need legislation. Some growth offsetting even these small reductions seems inevitable in certain Departments to provide for expected increases in unemployment, pensioners and in the prison services.
3. Cabinet concluded that the largest Departments must contribute their full share of this 10%. In spite of this, Francis Pym has offered me no more than 2.7% (which seems to me to contrast rather markedly with the result of the small Rayner exercise in Defence) and Geoffrey Howe 8.5%. Patrick Jenkin has offered me a larger total (17.6%) but most of this depends on major policy decisions yet to be taken - such as payment by employers of sick pay for the first 6 weeks of benefit, and introduction of Unified Housing Benefit.
4. Unless we can do better than this, I believe that the country, and in particular our supporters, will find the outcome most unsatisfactory.
5. I believe that at Cabinet we should insist that Francis Pym in particular, but also Geoffrey Howe, should increase their contributions to 10%. (That would bring the total to 8.1%). Also I believe that Peter Carrington, who has offered 2.7%, and Peter Walker (3.2%) should be pressed to go up significantly.
6. If this can be done, and if we decide to go ahead with the major policy changes referred to in paragraph 3, then we are in striking distance of 10%.
7. If all this is impossible, then I think we shall have to present the figures as excluding Defence and Law and Order. But even this would show a saving of only 7.8%. I think this is a pretty unattractive course - and I think you will too.
8. I would welcome the chance of talking to you about this when we meet on Tuesday afternoon, before I finalise the Cabinet paper.

See the Chancellor's letter below.

There is a great deal of public expectation of substantial cuts.

SOAMES  
19 October 1979

S.

19 OCT 1979







Prime Minister

fwh

19x.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

18 October, 1979

*Dear Minister*

Following our bilateral on 14th September a further detailed review has been made of all the Departments for which I am responsible. As a result of this review I am able to increase the prospective staff reductions in terms of cost for my four main departments from £39.9m to £53.6m. As a percentage this is an increase from 6.5% to 8.7%.

The whole of the increase comes from the Inland Revenue where the prospective savings go up from £26.3m to £40.0m: this is a saving of 10% of the Inland Revenue costs and represents a saving of 11,000 staff - 13% of the base line figure. Part of this increase (£2.2m) consists of further administrative savings, details of which are given in the annex to this letter. The balance of £11.5m is contingent upon Budgetary changes which, as you will understand, I cannot list in full. Some of the tax changes are ones we would want to make and which colleagues would welcome, but others would entail, for example, abolishing reliefs (e.g. averaging for farmers, overseas earnings), restricting reliefs (e.g. minor personal allowances to existing claimants), or applying PAYE to car benefits. We would have to wear the rough with the smooth. The revenue cost would, moreover, be more than £1 billion in a full year and £500m in the first year and nearly all this yield is lost by raising the percentage cut from the 6.6% I originally offered to the 10% I am now offering. I must make it plain that these amounts are within our reach only if colleagues are prepared to agree the necessary reductions in public expenditure.

As for Customs and Excise, I undertook to consider your two suggestions for further savings, rationalisation of the regional structure and a reduction in effort put into chasing small traders. Rationalisation of the regional structure is the essence of the Customs' Rayner project. Some savings in staff costs will almost certainly

/accrue and

The Rt. Hon. Lord Soames, GCMG, GCVO, CBE.





accrue and some credit for this was taken in the options already put to you. There may be more to come.

As to small traders, Customs have already reduced the amount of effort they devote to small VAT traders in order to meet the 3% cut in this year's cash limit. In practice, some 400,000 small traders (about one-third of all VAT traders) will now be visited for a half or a whole day once every five years (or up to seven in a proportion of cases) instead of once every four years. To extend the frequency still further would destroy the credibility of VAT control. Customs intend to continue their efforts based on operational research techniques to become more selective in choosing VAT traders to visit, but it would be unrealistic to fix a target reduction in the number of staff involved. The strategy of switching from direct to indirect taxation is heavily dependent on obtaining the revenue yield from VAT that is needed.

The options I have already put to you for the Customs amount to 5%. A further review has indicated no additional functions that could be dispensed with. Indeed I must make the point that some of the options already included may not be realised because of political or trade objections. While therefore I hope that further savings may ultimately emerge from the Rayner type exercises I regard it essential to hold these in hand against the possibility of other options being lost.

As regards the Treasury, I have re-examined the scope for securing further savings. The options I have so far identified total 11.7%: this figure is achieved without counting any part of the £14m per annum saving in public expenditure that would accrue from the substantial staff reductions at the Bank of England that would follow on the dismantling of exchange controls. There may be possibilities of further savings but we cannot quantify them at this stage and they need to be kept in hand against the risk that the options specified may not materialise.

I have also considered the scope for further savings in the Department for National Savings. The options already identified will save 9.5% by 1982-83 but the total will increase to somewhat above 11% in 1984-85 as the services we are withdrawing continue to run down. The only way in which further cost savings could be assured would be to withdraw further services, but we have concluded that we could not add to the service cuts we have already offered without incurring a net cost to the PSBR. To increase costs in this way would not be consistent with the policies decided for the exercise. I

/cannot therefore





cannot therefore offer any further contribution from DNS, but I take it that the savings mentioned above effectively meet your 10% target.

There is in conclusion one general point I would make. The present exercise was conceived primarily, although I agree not exclusively, in terms of cutting out functions. A high proportion of the options I have put to you do in fact take the form of cutting out functions. We have and will continue to exert pressure on administrative procedures with a view to improving efficiency. Some not inconsiderable savings are already included under this heading but inevitably much of what can come from this source has been pre-empted by the 3% cut and by the need to make good previously agreed PES increases which now have to be absorbed. There may well be more to come. But against this many of the options I have put to you, not only in the case of the Customs to which I have already referred but elsewhere as well, are subject to a real degree of risk. The money may not be available to finance the changes or not to the extent that we hope. Tax changes which are prejudicial are not popular and we may not be able to carry them. That is why although I have increased my overall offer to 8.7% and that of my biggest department to 10%, I cannot with the best will in the world give you an unconditional commitment.

I am copying this letter to the Prime Minister.


A handwritten signature in dark ink, appearing to read 'Geoffrey Howe', with a large initial 'G' and a horizontal line above it.

(GEOFFREY HOWE)

19 OCT 1979







Civil Service Department,  
Whitehall,  
London, SW1A 2AZ

*With the Compliments  
of the  
Lord President of the Council*

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*Quirk*  
Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

12 October 1979

The Rt Hon Patrick Jenkin MP  
Department of Health & Social  
Security  
Alexander Fleming House  
Elephant & Castle  
LONDON SE1 6BY

*R 12/10*

*Dear Patrick,*

FURTHER REDUCTIONS IN THE CIVIL SERVICE

I had been hoping to put to Cabinet on 1 November a paper saying that we had identified savings in manpower costs amounting to a little under 8% which together with various reviews still under way in some departments, notably the Ministry of Defence, would have got us in the end to around 10%.

In the discussion we had last week it became clear how much there was still to be done on taking the "major and difficult political decisions" to which you referred in your letter to me of 31 July. I have in mind the proposal for making employers responsible for sick pay for the first six weeks, Unified Housing Benefit and paying pensions and other benefits fortnightly instead of weekly.

*NOT COPIED  
TO H/10.*

Clearly there cannot be firm decisions at this stage. But I hope very much that you will find it possible to clear your lines where necessary with colleagues - at least to the point at which we can score them on 1 November as savings which the Government intends to make, subject to the processes of consultation which will have to follow. These savings will make a considerable difference (over 1½%) to the final outcome of the exercise.

Please let me know if I can do anything to help.

I am sending a copy of this to the Prime Minister, the Chancellor of the Exchequer and Sir John Hunt.

*Yours ever  
Christopher*

SOAMES





1 OCT 1979

Civil Service

to Mr

TIM LANKESTER

c Mr Wolfson

Your minute to the Prime Minister of 8 October on Mr Heseltine's suggestion of hiving off civil servants as consultants.

It is indeed half-baked, but nowadays one can scarcely float ideas as a basis for consultation. Everything hardens up rapidly which is going to inhibit sensible discussion.

The element which is attractive, of course, is by employing ex-civil servants as consultants we are keeping down the long-term commitment on pension. Tony Shrimley was telling me the other day that most of his team on "NOW!" elected to be paid under contract in order to free them for other writings: he had welcomed this because it reduced the pension liability. It is indeed an increasingly used device in the entertainment business, particularly in the BBC and the independent programme companies.



Henry L James  
9 October 1979



PRIME MINISTER

cc Mr Wolfson  
Mr James

You asked about the report in today's Sun that the Government is considering reducing the RSG percentage from 61% to 56%.

This is false. The current position is that DOE are submitting a paper to MISC 21 which proposes that the RSG percentage should continue at 61%. The Treasury, however, are suggesting it should be 58%.

The local authorities have been asked by DOE to spend 5% less than was provided for in the last public expenditure White Paper. If they complied with this request, the 61% RSG proposed by DOE would involve rate increases of between 15 and 25%. With the Treasury proposal of a 58% RSG, rates would go up between 25 and 40%. But the Treasury are presumably hoping that their proposal would persuade local authorities to economise rather more; hence, the rate increases consequent upon a 58% RSG could be less than 25 to 40%. By contrast, the Sun this morning was talking of rates increasing by as much as 60%.

You also asked about the "Jobs for golden handshake boys" story in the Mail this morning. The facts are as follows. Mr. Heseltine suggested at a meeting with the Staff Side that - in order to take some of their activities out of Government - some PSA employees should retire early and set up as consultants to the PSA. The Government would encourage them to do this by guaranteeing them a certain amount of work for the first year or two. The idea is Mr. Heseltine's own.

DOE say that Mr. Heseltine threw this out as simply an idea for discussion: it is not a firm proposal in any way. Mr. Heseltine is in touch with Lord Soames about it, and if the idea does develop into a firm proposal, we will be informed.

/On the face

On the face of it, this idea seems pretty half-baked. If the Government is to guarantee retired civil servants work, this seems little different from actually keeping them on the Civil Service pay-roll. Inevitably, there has been further criticism in the Evening News - their main editorial.

R.

8 October 1979





Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

14 September 1979

The Rt Hon Sir Geoffrey Howe, QC, MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1P 3AG

R 12/9

Dear Geoffrey,

We discussed this morning the particular difficulty you would find in committing yourself now for budgetary reasons to a specific list of measures which would reduce the staff costs of the revenue-raising departments by 10% by 1 April 1982.

Nevertheless we are jointly bound by the Cabinet's endorsement yesterday of paragraph 18 of my paper (C(79)38). That is to say, we must aim at a package of cuts amounting to 10% in aggregate; and to achieve this, Ministers in charge of the largest departments must contribute their full share. You kindly undertook therefore to let me have a note about your achieving a 10% saving in staff costs across your departments as a whole.

This note will be illustrative, in the sense that it is common ground between us that both the precise measures you adopted in practice and their timing would to some extent depend upon a succession of budgetary judgments which you cannot take in advance. But I would ask you to be prepared to say that you will be securing reductions of this order, by whatever means, within the next few years.

It would help me in preparing my report back to Cabinet if I could have your reply by Friday 5 October.

A copy of this letter goes to the Prime Minister.

Yours ever  
Christopher



19 SEP 1979



PRIME MINISTER

*Prime Minister*  
*Mr. Vide*  
*Civil Service*

Civil Service Manpower content to proceed as  
at X.

In your summing up at Cabinet this morning, you left open the way in which the Lord President should conduct his bilateral discussions with Departmental Ministers.

*R*  
*13/9*

X | 2. The Lord President himself has suggested, both in private conversation with you and at Cabinet, that there should be a new Ministerial Group on the lines of MISC 11 (the Chancellor's Group which examined the Public Expenditure Savings in 1980-81). In my brief for this morning's Cabinet, I set out some of the difficulties in this course: notably, that other Ministers resent being subjected to 'star chamber' treatment. A more practical difficulty is that of assembling a quorum at a time when a lot of Ministers plan to be away before the Party Conference. On balance, I am inclined to think that it would be better if the Lord President were left to conduct these talks on his own, bringing in a Treasury Minister (Lord Cockfield or another) where there is any overlap with the Public Expenditure operation. This is the way in which the Chancellor and the Chief Secretary propose to conduct their own operations.

3. However, if you wished to create a new Ministerial Group for the purpose, then I suggest that the members might include the Lord President himself (in the chair); a Treasury Minister (subject to the Chancellor of the Exchequer's views, this might be Lord Cockfield); a 'neutral' Minister with relatively small staff responsibilities (I would suggest the Lord Privy Seal, if he could find the time, because he is not himself in charge of a Department); and the Secretary of State for Trade, whose zeal for staff reductions is already demonstrated but who is abroad until 3 October. Or you might think of adding Mr Jenkin who has done rather well himself and has a Treasury background. We would, of course, provide the Secretariat, with help from CSD. The Group might proceed in the same way as

/MISC 11,

MISC 11, by inviting the individual Departmental Ministers to appear before it. But given the problems of getting such a group together for several meetings at the present, I think that, if you wished to proceed in this way, we might have to allow a little more time for completion of the exercise, and bring it back to Cabinet early in November other than in the middle of October.

Perhaps you would let me know how you would like the Lord President to proceed.

12.  
11 JOHN HUNT

13 September 1979



Subject as Econ. Pol. Pt 2  
Domestic Monetary Policy

NOTE FOR THE RECORD

The Chancellor of the Exchequer called on the Prime Minister at 0845 this morning.

They discussed the Treasury note on "Domestic Monetary Prospect and Bank Borrowing" enclosed with Martin Hall's letter of 12 September. The Prime Minister expressed concern at the fact that bank lending to the private sector appeared to be continuing at a high level. She asked whether anything could be done to bring the figures down.

The Chancellor explained that the recent high level of lending had surprised most analysts. The reasons for it were by no means clear. For the reasons set out in the note, it was likely that there would be a turn-down before very long; but this could not be guaranteed. The current strikes were aggravating the financial position of the company sector, and if they continued this would tend to add to bank lending. It was true that the "corset" control was not working very effectively: the banks could get round it by manufacturing reserve assets. But there was no reason to believe that closing that loophole would in itself prevent bank lending from rising. Banks would find some other way. Lending to the personal sector, although it had risen fast, only represented 17% of total lending.

The Prime Minister said that she hoped that Bank lending would turn down. One idea might be to call in the Chairmen of the clearing banks to discuss the reasons for the continued high lending levels, and anything which they might do to bring them down. She urged the Chancellor to keep in close touch with Gordon Pepper and other market analysts.

The Prime Minister then raised the question of the Treasury Departments' contribution to the Civil Service cuts exercise. She said that she was very disappointed by the Chancellor's response

to Lord Soames' options exercise. In particular, the Chancellor was only proposing a reduction of 6.6% for the Inland Revenue. The Revenue staff had increased by more than 10,000 since 1970 and she could not believe that a more substantial reduction was not possible. She intended to support Lord Soames in Cabinet in urging for a greater reduction.

The Chancellor explained his difficulties: in particular, he said that 6.6% was the maximum that could be achieved by cutting back functions. He would, of course, be trying to improve efficiency as well, but this did not appear to be part of the exercise and no staff cuts had been scored against this aspect. The Prime Minister replied that she could not agree: she did not mind how the Chancellor found the savings, but they must be found.

R.

13 September 1979





PRIME MINISTER

FURTHER REDUCTIONS IN THE CIVIL SERVICE

As I shall miss the discussion in Cabinet on Thursday, there is one point of importance which I ought to make to you about the paper from the Lord President (CP(79)38) on the exercise to eliminate Government functions and therefore staff in the Civil Service.

I have put forward for the Department of Trade option cuts of functions and therefore staff which amount to 8.3 per cent and, if Bankruptcy is eliminated from the Insolvency Service to 15 per cent. It will not be easy to eliminate most of these functions. Most are of a long-standing nature and many are partly or wholly self-financing by fees and many answer a customer demand. Legislation will be necessary in a number of cases and some of this will be controversial and will cause considerable criticism.

Nevertheless, although I am willing to go down this road if other colleagues make commensurate sacrifices, it would be difficult to impose harsh cuts in my Departments if they do not. I was particularly disturbed therefore to see the response of some other Departments to the Lord President's exercise and, in particular, of the big Departments such as the Ministry of Defence and the Departments reporting to the Chancellor of the Exchequer.

The Chancellor is offering savings of only 5 per cent in Customs and Excise and 6.6 per cent for the Inland Revenue. The Treasury itself is offering only 4.5 per cent. Frankly, I regard these proposals as inadequate. In opposition - with the assistance of Norman Price, the last Chairman of Inland Revenue - we identified very large manpower savings in the Revenue from the elimination and simplification of tax



allowances and a measured progress towards self-assessment. In my view the Revenue departments can also make major manpower savings in their enforcement and back duty procedures. It is true that they collect Revenue but so do some of the services that I am being asked to cut in the Department of Trade.

Similarly, the manpower proposals of the Ministry of Defence are inexplicable and, in my view, unacceptable. I fully support a 3 per cent increase in Defence expenditure but this should be focused on procurement and the services and should be augmented by considerable reductions in the numbers of industrial and non-industrial civil servants in the Ministry of Defence. I really cannot believe that substantial savings could not be made in the Royal Ordnance factories and by revising present labour-intensive procedures (for example, over quality assurance) which is already done by private contractors.

I therefore fully support the Lord President's recommendation that if a 10 per cent aggregate cut is to be achieved, the largest Departments must make the major contribution and bring their cuts up to the level offered by other Departments.

I am sending copies of this minute to members of the Cabinet, the Minister of Transport and to Sir John Hunt.

Sw

JN

Department of Trade  
1 Victoria Street  
LONDON  
SW1

12. September 1979





2 SEP 1979

CONFIDENTIAL

PRIME MINISTER

Further Action to Reduce the Size of the Civil Service  
(C(79) 38)

BACKGROUND

Previous Cabinet discussions on this topic has been highly generalised. The time has now come to get down to specifics. The Lord President's preliminary contacts with Ministers have been, as he says, disappointing. Moreover, there has already been some adverse staffside reaction, and DHSS have reported the threat of possible industrial action. But this was foreseeable and the Cabinet will not wish to be deflected from its main course.

2. One difficulty of handling this exercise arises because, inevitably, it overlaps to some extent with that on Public Expenditure. There is no way of wholly avoiding this and it may well prove that, in practice, the overlap is not too severe or confusing. One possible solution which may be suggested would be to merge the Treasury bilaterals with Departments on public expenditure and Lord Soames' bilaterals on manpower. I doubt whether this would be satisfactory and the Chancellor may well jib. The suggestion that a Treasury Minister (Lord Cockfield) might provide the necessary liaison by taking part in Lord Soames' bilaterals is possibly the best that can be managed given the other preoccupations of the Chancellor and the Chief Secretary.

3. You will also wish to take into account the discussion you had with the Lord President on Tuesday. Operationally the most important question is whether his bilateral discussions with Departments should take the form of a MISC group involving other Ministers, or be truly bilateral. You inclined to the former when you spoke to the Lord President but the device, although used before, is not popular with Departmental Ministers who see it as some form of Star Chamber. You may find it useful to see how the discussion develops before going firm on a particular solution.



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HANDLING

4. You will ask the Lord President to introduce his paper, and you might then seek comments from the Chief Secretary, particularly on the question of the real objective: to save money, or to save staff. The Lord President suggests that saving staff, on certain conditions, is a desirable objective in itself, even if the net cash savings are small (though he insists - and this is surely right - that there must be a reasonable expectation of some monetary saving). A decision in principle here will set the tone for the whole exercise.

5. You might then seek comments from the 'big employers' - Defence, Social Services, Chancellor of the Exchequer. The paper demonstrates clearly that if these three cannot make their full contribution, there is no hope of getting anywhere near the Lord President's 10 per cent target let alone any higher figures which colleagues may have in mind.

6. You might also, at this stage, check whether there are any other general points not covered in the paper which colleagues want to raise. The sort of points here might be:-

- (a) The paper takes no real credit for the Rayner exercise. This is probably right: the Rayner studies are at too early a stage for really significant savings to be safely chalked up. Anything they yield is probably best regarded as a bonus.
- (b) How should redundancy payments be credited? They can be high in the initial phase of redundancy and if cash limits apply will inhibit Departments from going for all the staff savings open to them. Is there a case for excluding redundancy payments from cash limits? Or for some other form of special treatment?

7. You will then want to bring the Cabinet to some specific conclusions. The recommendations in paragraph 18 of the Lord President's paper provide a convenient checklist for this purpose and you might lead the Cabinet through them seriatim. The final conclusion about the manner of conducting the bilaterals will need to be adapted in the light of discussion.

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CONCLUSIONS

8. The simplest and most workable conclusion might be:-  
To accept the recommendations in C(79) 38 subject to any  
specific changes which may have been agreed in discussion  
and to invite the Lord President to conduct the next stage of  
the operation with a view to a report back to the Cabinet on  
18th October.

*JH*

(John Hunt)

12th September 1979

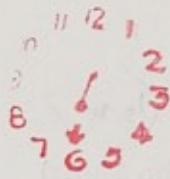




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12 SEP 1979



12 SEP 1979

Civil Service

cc Mr. Wolfson  
Sir John Hunt  
Master Sec.  
Civ. Service - Cabs. Office  
staff cuts.

NOTE FOR THE RECORD

Lord Soames and Mr. Channon called on the Prime Minister at 1500 hours today to discuss the handling of Lord Soames' paper on "Futher action to reduce the size of the Civil Service" when it is taken in Cabinet on Thursday. Mr. Wolfson was also present.

Lord Soames said that he had been appalled by the inadequacy of Departments' returns on the Civil Service options exercise. He could not believe that, as their returns implied, no less than 95 per cent of the work which the last Government thought fit to undertake should continue to be considered as essential. It was essential, in his view, that the Government should be aiming for a minimum of 10 per cent cuts in the Civil Service in money terms by 1982/83. But in order to achieve this, it would be necessary for the large Departments - particularly MOD and the Treasury Departments - to come up with bigger savings. He proposed that there should be a small group of Ministers on the lines of MISC 11, which would look at Departments' proposals critically, and make suggestions for further consideration in Cabinet. Before this got underway, the CSD would make suggestions to Departments as to where further Civil Service cuts might be achieved.

The Prime Minister said that she fully supported the Lord President in his general approach. She agreed that 10 per cent should be a minimum for the Civil Service cuts and that a small group of Ministers should be established following Cabinet. The membership of the Ministerial Group should be considered further, and she would discuss this with the Chancellor before Cabinet. Lord Soames said that the Treasury had offered Lord Cockfield; in addition, he himself and Mr. Channon should be members of the group, and possibly Sir Keith Joseph, and Mr. Jenkin or Mr. Nott (though he was going to be away for much of the time when the group

/would be



would be meeting). Lord Soames went on to say that the group would need help from officials. CSD were not particularly well equipped to look critically at Departments' efficiency and activities. It would be very helpful if the group could be assisted not only by the Cabinet Office (who would no doubt co-ordinate the work) and the CSD, but also by the Treasury. Thus, the Treasury Under-Secretary responsible for expenditure by the Department being considered might helpfully attend the meeting in question.

The Prime Minister said that she was sure there was much inefficiency and unnecessary work in Departments which spending Ministers had failed to uncover in the exercise so far. In her recent visit to the North West, she had been struck by the amount of what appeared unnecessary work which the DOE Regional Office were doing. She thought that MOD should be able to find major savings - perhaps by putting some of their maintenance staff into uniform and thereby achieving greater efficiency. Lord Soames interjected that he would like to close down at least one dockyard, and several Defence research establishments. He was also confident that greater savings could be found in the Treasury Departments. In fact, he had information that the Revenue had advised the Chancellor that larger savings than the 6.6 per cent offered could be made; but the Chancellor, for reasons he did not understand, had rejected this advice. Lord Soames went on to say that the MAFF offering of 0.3 per cent cuts was ludicrous. It was absurd to imagine that out of a staff of over 40,000 they could only reduce their staff by 66 without damaging the interests of British agriculture. More generally, however, he did not think it was worth cutting back the Civil Service if the work would thereby have to be done outside the Civil Service at higher cost.

The Prime Minister said that if Ministers failed to produced "better" options, a ban on recruitment in their Departments would have to be imposed. Lord Soames said that he would not wish to go down this path because it would make for inefficient and bad Government; it would be far better to get agreement on cuts at the desirable level.

/ In conclusion,

In conclusion, the Prime Minister said that she would give Lord Soames her fullest support in Cabinet. She added, however, that for her position to be credible with colleagues, the Cabinet Office would need to find savings of 10%. So far they appeared to have found savings of considerably less than this. Achieving the full 10% cut in Cabinet Office staffing would no doubt be difficult, but an effort had to be made.

12.

10 September 1979



PRIME MINISTER

I attach an advance copy of the Lord President's paper on manpower reductions. He is coming to see you at 1500 on Monday. The meeting was arranged to discuss appointments of peers, but he would also like to have a word about this paper, and proposes to bring Mr. Channon with him for this purpose if you agree.

*f* *work*

The message of the paper is that the reductions offered by the Departments amount to between 6 and 7 per cent; but that the Lord President considers that anything less than 10 per cent would fall below the objectives the Government has in mind, and that he thinks further intensive scrutiny of Departments can bring the figure up to this level.

*MAD*

*no.*

7 September 1979



Lord Soames

Lord C.

Paul.

Joseph

Nick.

Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

Martin Vile Esq  
Private Secretary to  
Sir John Hunt  
Cabinet Office  
Whitehall  
LONDON SW1A 2AS

6 September 1979

Dear Martin,

I enclose 2 copies of the paper on manpower reductions (and 90 copies of the attachments) as approved by the Lord President.

Yours sincerely,  
Jim Buckley.

J BUCKLEY  
Private Secretary

Enc

Tim Lankester  
10 Downing Street.

In preparation for  
the Lord President's  
discussion with the  
Prime Minister on  
Monday afternoon.

Buckley  
6/9



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FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

Memorandum by the Lord President of the Council

Introduction

At Cabinet on 31 May I was asked to bring forward proposals for reducing the size and cost of the Civil Service by April 1982. Our intention was to do this by improving efficiency and dropping tasks. Departmental Ministers were accordingly invited to show what they would have to do by these methods to reduce their expenditure on Civil Service wages and salaries and related items by 10, 15 and 20% below the present level. This interim report comments on the returns which colleagues have sent me, invites views on two main questions and proposes next steps.

Summary of the returns

2. The returns varied widely. Not all Ministers identified options covering the full range of percentages. As requested, they categorised their options by degree of difficulty. This is what the categories amount to:-

		<u>Savings in 1982-83</u>		
		<u>£m</u>	<u>% of total</u>	<u>staff</u>
	i. improved efficiency and less waste	24	0.5	4900
plus	ii. positively desirable or relatively painless	175	4.1	37900
plus	iii. some adverse effect on policy and level of service	331	7.7	65000
plus	iv. requiring major and difficult political decisions*	695	16.2	124,400

But that table by itself gives too optimistic a picture. All Ministers sent covering letters indicating limits on what they

(\*Some options were presented as both requiring major and difficult decisions and being positively desirable. They are here included in category (ii) only.)



felt able to do. These limits were more restrictive than the table suggests; in particular many items in category (iii) were regarded as very difficult indeed. Annex 1 sets out the basic figures for each department with a brief summary of what my colleagues said about them.

3. Looking at the total picture, the best assessment I can make at this stage of what is said to be achievable without too great pain is an overall saving of between 6 and 7%, and by no means the whole of that comes from improved efficiency and dropping tasks. Efficiency accounts for about  $\frac{1}{2}\%$  and dropping tasks for about  $4\frac{1}{2}\%$ . The other  $1\frac{1}{2}\%$  or so comes from retaining tasks but locating them outside the Civil Service - in the private sector or elsewhere in the public sector, eg by using contractors or consultants to do work now done by civil Servants. The best offer among the major departments in terms of improved efficiency and dropping tasks amounted to 15%; the worst  $\frac{1}{4}\%$ . The overall outcome is frankly disappointing; I find it hard to believe that, where tasks are concerned, we must regard as essential no less than 95% of the work the last Labour government thought fit to undertake.

#### The aim of the exercise

4. The money savings shown in the table in paragraph 2 are gross and take no account of the offsetting costs, which come eg from putting work out and which were not included in the returns. This points up a general question about the aim of the exercise.

5. Our objective surely is to reduce not only the size of the Civil Service but also the cost of government. They do not necessarily go hand-in-hand. If we put work out (as opposed to dropping it), it still has to be paid for; it may then cost less, much the same, or more. If we drop or curtail work of which the cost is fully covered by fees and charges, we save staff but do not save money. We can also reduce both the size and the cost of the Civil Service, but in ways which result in less collected in revenue or more paid out in benefits. This problem is set out in greater detail in the note by officials at Annex 2. In effect, we can make a higher percentage saving in numbers than we can in money.



6. That is not necessarily wrong; a reduction in the weight of the bureaucracy is a legitimate objective in its own right. I do not regard the activities of revenue-collecting or benefit-paying, or those that wash their faces financially, as sacrosanct. Over-government can be as burdensome there as anywhere else; and my colleagues will recall that we explicitly undertook to seek economies in the cost of running the tax and social security systems in our Election Manifesto. I propose therefore that we should be prepared to accept some options which save numbers even if they do not produce equivalent savings in money. But it would not make sense, in my view, to put work out where that costs more than having it done by civil servants; we should only do so where there is a reasonable prima facie expectation that it will cost less.

7. We must also bear in mind staff reactions and staff morale. Where putting work out is more economical, there is a convincing case for doing it which the staff may dislike but will have to accept. But where it costs more it largely loses its point where the Government is concerned, will look like dogma from outside, and will arouse resentment among staff. The phasing of some reductions will also be important here. Any large-scale redundancies will involve heavy payments which could, with other off-setting costs, turn profit into loss over the first few years. They will also exacerbate the problem of morale. So the more we proceed by using natural wastage, the better.

The prospects for a large reduction

8. Even if we count all the options that involve putting work out, there is a wide gap between what Ministers have said they think feasible in their own departments and what I think most of us would regard as an acceptable outcome generally. My judgment is that with a considerable further heave, and a good deal of pain and grief, the 6-7% I have mentioned could be increased to somewhere around 10%. I have little doubt that the Cabinet as a whole will find this disappointing. But if we feel that we must set our sights much above 10%, I am bound to say now that the returns do not offer any reasonable prospect of getting there. If that is our objective, we shall all have to think again about our options in a much more radical way.

76. 85044



9. Let me illustrate the sort of change that colleagues tell me 10% would mean, among other things, within their departments:

- In the Ministry of Defence, reducing or even abandoning departmental procedures to ensure that goods purchased meet required quality standards
- In Employment, withdrawing the option of claimants to go on getting their unemployment benefit weekly rather than under the new fortnightly system
- In the Inland Revenue lifting by 20% the minimum income levels at which the various rates of tax become payable
- In the DHSS, making employers responsible for paying sick pay during the first six weeks of illness in place of sickness benefit from the State; and introducing a unified housing benefit scheme which brings together the housing benefits at present administered separately by the DHSS (under the supplementary benefits scheme) and by local authorities (in the form of rent and rate rebates).

I think we must be prepared to take decisions of this sort; if not, there is no choice but to lower our sights.

10. The numerical gearing of the big departments is crucial. The Ministry of Defence (245,000), the Chancellor's big departments, Revenue, Customs and DNS (together 123,000) and DHSS (98,000) account for 64% of the Civil Service. The Secretary of State for Defence has felt unable to go beyond 3% gross, pending longer-term studies to produce bigger savings; while the Chancellor has offered staff savings of around 6%. The Secretary of State for Social Services has made a notably higher offer of 11%. But even with this, the aggregate score for the three "giants" together is only 5.5%. 120.000

11. The effect of this gearing is that it is clearly not possible for the other departments in aggregate to raise the percentage for the Service as a whole much above the percentage the "giants" produce.



These other departments, moreover, include some areas of especial difficulty, eg prisons and special hospitals, though some others can see their way to making savings in excess of 10%.

12. We should not therefore underestimate the size of the task. I cannot yet say firmly that 10% is on. But I do not believe that my colleagues will regard a lower figure as an acceptable outcome, and I recommend that we should aim to put together a package of this size. But colleagues must be in no doubt about what that requires. If the Home Secretary and perhaps one or two others have to offer less than 10% the rest must find more, and a heavy responsibility will rest on those in charge of large departments. It will mean a determined commitment on the part of each of us to find the very most he can.

#### Next steps

13. If that is agreed I suggest that I and my Minister of State, together with a Treasury Minister, should now hold bilateral discussions with colleagues to agree with them the maximum contribution they can make. I will then make a further report to Cabinet next month.

#### Legislation

14. A number of the options which may be adopted would require legislation. This could affect the pace at which we achieve the savings. I shall be in a better position to report what is involved when the bilaterals have been completed.

#### Expenditure in 1980-81

15. We agreed on 23 July to begin these discussions on Civil Service manpower on the assumption that a sizeable first tranche would be found in 1980-81. It will be helpful therefore if colleagues can indicate how much of their total saving will be achievable next year. In this context it is essential that all departments should carry through into 1980-81 the reduction in staff costs which have been made in adjusting this year's cash limits - and they will need to do better than that.



Proposals for increased expenditure

16. For some departments, the existing plans provide for increased manpower expenditure between 1979-80 and 1982-83. Since the purpose of the present exercise is to secure reductions in manpower below the 1979-80 level, it will be necessary for departments to forgo these increases. Apart from the few additional bids already approved by Cabinet, we may exceptionally have to allow some margin for demand-led increases, eg as a result of higher unemployment. But these increases must be kept to an absolute minimum and I propose that they should be subject to the specific approval of CSD Ministers. We shall have to find room for anything else by dropping work of lower priority.

Staff morale and Staff Side attitudes

17. We must have a care for staff morale. The points I have referred to in paragraph 7 will be among the more important here. I am seeing the National Staff Side before the Cabinet meets so that they cannot accuse us of taking decisions before giving them a hearing.

Recommendations

18. I invite my colleagues to agree that:

- (a) less than 10% would not be an acceptable outcome, and we should aim at a package of cuts amounting to 10% in aggregate (paragraphs 8 and 12);
- (b) to achieve this Ministers in charge of the largest departments must contribute their full share of this 10% package, and each of us must make a determined effort to find more (paragraph 12);
- (c) a sizeable first tranche should be found in 1980-81 (paragraph 15);
- (d) plans for further increases in staff expenditure must be forgone save exceptionally where the specific approval of CSD Ministers has been sought and obtained (paragraph 16);



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(e) we should go for savings from putting work out only where there is a reasonable expectation that it will cost less (paragraph 6);

(f) we should seek so to phase reductions as to minimise redundancy (paragraph 7);

(g) my Minister of State and I, with the help of a Treasury Minister, should conduct bilateral discussions with certain colleagues on the lines set out above, after which I should report to the Cabinet again in October (paragraph 13).

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*Civil Service*  
Civil Service Department  
Whitehall London SW1A 2AZ  
01-273 4400

The Rt Hon Francis Pym, MC, MP  
Secretary of State for Defence  
Main Building  
Whitehall  
LONDON SW1A 2HB

7 September 1979

*Dear Secretary of State*

Thank you for your letter of 17 August. I agree that we do not want to go over the arguments again - and that includes those in your letter. We'll have to talk about all this with colleagues on 13 September.

I entirely understand that the areas you have identified for further study will not be easy ones to tackle and that time will be needed to reach final conclusions on the precise form your savings should take. I do know something of, and understand your difficulties. But equally I am sure you appreciate that we shall not be able to announce a credible outcome on manpower expenditure at the time we have undertaken so to do unless all the three major employing Departments have by then made a firm commitment to a reduction which, however it is finally made up, amounts to at least the government's minimum target of 10%.

I am copying this letter to the Prime Minister and Geoffrey Howe.

*Yours sincerely*

A handwritten signature in dark ink, appearing to be 'E. Soames', written in a cursive style.

SOAMES

(Approved by the Lord President  
and signed in his absence).



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PART 1 ends:-

Staff side chairman to m/s CSD

28. 8. 79

PART 2 begins:-

LPC to s/s Def 7. 9. 79



END

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