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PREM 19/150

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PART 4

Confidential Filing

Long Term Management and Manpower Policy.

Sir Derek Rayner's recommendations for lasting reforms (Whitehall Conventions).

Civil Service Numbers and Costs.

Agreement on New Technology.

CIVIL SERVICE

Pr 1: March 1980

Pr 4: May 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13.5.80							
15.5.80							
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PREM 19/150

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PART 4 ends:-

M/transport to 4d Pres Council 31-7-80.

PART 5 begins:-

S/S M² to M/S C&D 7-8-80

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C(80)43	18.7.80
CC(80) 30th Conclusions, Minute 6 - Limited Circulation Annex	24.7.80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed *A Wayland* Date *14 January 2010*

PREM Records Team

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CONFIDENTIAL

✓ MJD



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

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

31st July 1980

John Distaker

We are due to meet next Wednesday 6 August. I thought you might find it helpful if I set out the two issues I would like to raise.

First there is the general manpower issue. As you know, I have already committed the Department of Transport to a reduction by 1983 of 22½ of the civil servants in post when we took office. Adding the staff in the Road Construction Unit (RCU) Sub-Units which I am phasing out (they are technically local authority staff, but I pay for them) brings this reduction to 30%. These figures compare with the 15% service-wide reduction required to meet the 630,000 target by April 1984. It will take some doing but I am confident that I can achieve these figures.

We shall have a substantial difficulty with the County Councils, who are opposing my plans to move most of the sub-unit work to private consultants. I am determined to achieve this. But under the present convention, the County Councils will get the credit for the cuts, even though I pay for all the staff.

You will not be surprised, therefore, to know that a further 10% cut on top of all the other cuts that have already been agreed would in my view be impracticable for my Department.

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I am determined to make further savings wherever I can. There are however only three large blocks of staff. I have already promised to cut 1,220 from the Driver and Vehicle Licensing Organisation, which represents about half the Department, and any further substantial cut here will have to wait until the replacement of the main frame computers in 1984. The second group are the driving examiners, but I am having to recruit more to reduce the present unacceptable waiting period. The third are the staff concerned with vehicle testing and they are already marked for privatisation. I am reviewing the rest of my Department, but the numbers are in any case relatively small and I certainly cannot find a 10% saving there. I need to take credit for the RCU cuts as well.

Secondly, there is one other related issue which I am afraid I need to sort out very quickly. How are we to treat the 564 staff in my RCU headquarters who are also technically local authority staff? As I mentioned above, and as you know, we are phasing out the RCU Sub Units. But the work done in the 6 RCU headquarters cannot be carried out on my behalf by consultants or local authorities. It proceeds directly from my statutory and financial responsibilities for the Trunk Roads Programme and must be done by staff directly responsible to me. Sir Derek Rayner fully accepts this.

These staff work directly for me in the same way as the civil service. Their costs are borne on my Roads Vote and indeed many of them have never worked in local government. It is a ridiculous anomaly that they are not civil servants; it should have been resolved years ago. It is all the more difficult to change their status now at the same time as I am dismantling the Sub Unit organisation. But I have no choice but to tackle the problem now.

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I will of course look for savings in this area. But I shall need most of the posts to maintain progress with the Trunk Road and Motorway Programme. And I must also retain the accumulated skills and knowledge of the staff, particularly the senior ones. I doubt whether I could successfully keep them in their existing status nor would gradual replacement by existing civil servants be practicable; we do not have enough with the necessary experience. I therefore see no alternative to recruiting to the civil service those we need to retain. I understand that there is a standard procedure for the Civil Service Commission to hold special competitions for this purpose. No doubt the Civil Service Unions will oppose it. But no other solution would be either efficient or equitable.

My best estimate is that in practice only about 200-250 of the 564 staff would wish to join the civil service, if they were given the opportunity. Many would not accept the mobility requirements of the civil service. Those who do join the civil service will be doing the same work as before and will not increase the size of the public sector or my staff costs. But I intend nevertheless to find offsetting savings for all these recruitments.

We shall of course need to arrange for officials to get together to discuss the details. But I do very urgently need a policy decision in principle now. This is because I am committed to putting proposals to the organisations concerned during September along with my detailed proposals for phasing out the Sub Units. I hope therefore that we can reach agreement in principle subject to sorting out the details later.

To sum up, there are really three parts of my proposal. The first is my undertaking to make a 22½% reduction in the total civil service strength of my Department. Secondly, I will be phasing out some 1600 staff in the RCU Sub-Units.

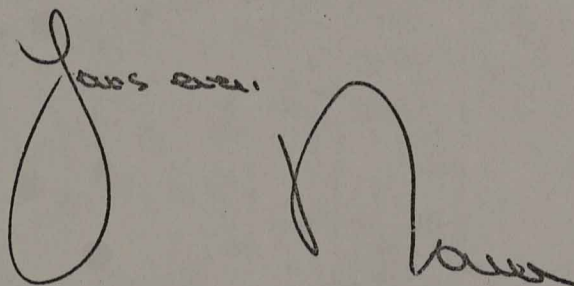
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Thirdly I need to bring into the Civil Service some 200-250 staff of the RCU Headquarters, but I propose to cover this by finding further savings in the number of civil servants. This adds up to a reduction for my Department as a whole of some 30% and it will present great difficulties of handling with the Staff Associations.

In the light of the above and of the Prime Minister's summing up at Cabinet last week, I hope you will feel that you can agree to my proposals for RCU Headquarters, and that you will accept that there are now very severe limits to the extent to which further cuts within my Department are practicable.

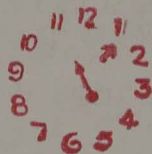
I am sending copies of this to the Prime Minister and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'Norman Fowler', with a horizontal line underneath.

NORMAN FOWLER

CONFIDENTIAL

AUG 1980



CONFIDENTIAL

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

Minister of State

29 July 1980

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1

Prime Minister

*Mr Channon is seeking
reactions to a 'no redundancy'
pledge as the price of a
new technology agreement
with Civil Service Unions.*

Dear Geoffrey

MS

AGREEMENT ON NEW TECHNOLOGY

Christopher Soames has asked me to write to you about a possible agreement on new technology which I have been working on for some time.

MM
30/7/80

When the Civil Service unions approached us last year with a draft agreement on the introduction of new technology, one of their main demands was that existing job levels should be protected. This has been an important factor in negotiations (and confrontations) over new technology in the private sector. The Civil Service unions now seem to recognise that a no-job-loss guarantee for new technology is quite unrealistic. But they attach all the more importance to securing a pledge from the Government that no-one will be made compulsorily redundant as a result of the introduction of new technology. It is clear that no national agreement will be possible without such a guarantee. We therefore have to consider whether this would be an acceptable price to pay for a national agreement, or whether it would be better to face the prospect of a breakdown in the negotiations and proceed piecemeal with the introduction of individual departmental projects in the face of union opposition.

A no compulsory redundancy pledge is quite normal in private sector agreements about the introduction of new technology. You will remember this is one of the matters the CBI and the TUC are discussing in NEDC. In the Civil Service the practical implications of such a pledge cannot be clearly predicted. So I suggest that we protect ourselves by including in any pledge a break clause making it subject to termination at 6 months' notice by either side. The pledge would obviously have to be confined to posts which have become unnecessary as a result of new technology and not from other causes (eg manpower cuts). It will not always be easy to distinguish between the two.

(Cont'd...)

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There are considerable difficulties about giving this pledge. But we need to consider the consequences of refusing it. An agreement would lead to a considerable improvement in the general atmosphere and I think many more projects would go ahead smoothly. In the absence of an agreement, on the other hand, while the unions may try to block departmental discussions over the introduction of particular projects, it is not clear how effective their resistance will be. Many of the staff, after all, want to use modern equipment. Colleagues will be better placed than I to gauge the situation in their departments. Accordingly, I should welcome your comments, and those of our colleagues, on whether offering a pledge (subject to notice of termination from either side) of no compulsory redundancy as a result of new technology would be a reasonable price to pay for concluding a national agreement. My own feeling at present, shared by Christopher Soames, is that on balance it would be. If we did decide we should offer such a pledge, as a matter of tactics we should clearly hold it back until the other elements of the national agreement have been sorted out. But the Official Side in the negotiations need to know now whether they may hold out a prospect that a pledge may be negotiable if they are to avoid a breakdown at this stage.

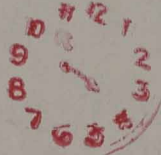
In the meantime there are, of course, some projects such as DATALINK in DHSS which are being delayed as a result of the withholding of the union co-operation. As I mentioned in my letter to you of 18 June, colleagues should not feel that they have to hold these projects in check while national negotiations continue. You may remember the correspondence between Peter Walker and me in the spring about the difficulties of introducing word processing equipment in his Department. This case was subsequently taken up with the CPSA at national level, and agreement was reached that the equipment should be introduced. If other colleagues have cases where agreement cannot be reached with their departmental Staff Side, I hope they will arrange for their officials to let me have the full details. We can then take up the cases, individually, at national level. If agreement cannot be reached in any particular case, as with DATALINK, then there is the option of introducing the new machinery by administrative action. Where that happens, I should be grateful if colleagues would let me know. The next meeting with the unions is due on 14 August, and it would be very helpful therefore to have colleagues' views by Friday 8 August.

I am copying this letter to the Prime Minister, members of the Cabinet including the Minister of Transport, Ministers in charge of departments and Sir Robert Armstrong.

PAUL CHANNON

CONFIDENTIAL

30 JUL 1960



1960

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MFD

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

C(80)43

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

23 July 1980

Dear Christopher,

CIVIL SERVICE EFFICIENCY AND MANPOWER

Although I would not wish the Cabinet to spend time on Thursday in discussing what may seem a comparatively minor point, I must reserve my position on the proposal in Annex B of the paper that an additional PES manpower bid for DHSS be rejected. The small bid in question relates to an important service for the disabled and I suggest the matter be pursued by correspondence when I can explain our case in greater detail.

I am copying this letter to Cabinet colleagues.

Your ever
Patric

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28 JUL 1980

Christ
Service jfh

24 July 1980

The Prime Minister has noted the staff
in post figures for 1 July 1980 recorded in
the Lord President's minute of 23 July.

MAP

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

JB



MA

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

Minister of State

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

23 JULY 1980

Tom Hibbard

DEPARTMENTAL MANAGEMENT SYSTEMS

Thank you for your letter of 15 July about MINIS, in which you asked how I see the application of this approach elsewhere.

You will have seen from his paper (C(80)43) on Civil Service efficiency and manpower, that Christopher Soames has referred to the work on "lasting reforms" launched by Derek Rayner, which will be coming forward this autumn. We shall want to draw on your experience with MINIS and it is good of you to offer the help of your staff which will be most useful. Although Derek Rayner has not yet let us know how he wants to proceed with this part of the work, I am sure that he will welcome this. We shall also be able to draw on relevant experience in other departments. I have recently seen, for example, a note of the rather less elaborate arrangements which Patrick Jenkin has made in DHSS. We propose to discuss them with his Department.

I look forward to seeing your speech on MINIS. I shall also be interested to learn how you decide to modify the present system in the light of your experience with it and how you propose to link it in future rounds with the manpower planning and control system introduced following last year's management review. If you find that the amount of documentation can be reduced, it would obviously be helpful to be able to take account of that in any attempt to specify the components of a "model" system for wider guidance. I feel sure you are right in thinking that there is scope for such a model. Equally, the precise form of each Department's system will depend upon its size, the nature of its work and the amount of detail its Minister can cope with. The key will lie in identifying those essential features which must figure in all systems if they are to be effective. It is here that I especially hope that Derek Rayner will be able to help us.

I am copying this letter to the Prime Minister and to
Derek Rayner.

Y
Pal

PAUL CHANNON

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23 JUL 1980

1480

Prime Minister

See also note from
Lord Chancellor, dissenting
from the across-the-board
approach.

MAD 23/11

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PRIME MINISTER

Civil Service Efficiency and Manpower
(C(80) 43)

BACKGROUND

The Lord President of the Council reports progress on the contributions which Departments have offered towards the target of reducing Civil Service numbers to 630,000 by April 1984. He seeks authority for further bilateral discussions leading to firm proposals in October.

2. At its meeting on 1st May the Cabinet agreed (CC(80) 18th Conclusions, Minute 4) that:-

- (i) the Government should aim to reduce Civil Service manpower from 705,000 at April 1980 to 630,000 by April 1984;
- (ii) provision should be made within this for a contingency margin, which might need to be greater than the 10,000 then proposed, to allow for unavoidable staff increases (e.g. to deal with rising unemployment);
- (iii) the reductions should be achieved flexibly, both as to timing and as to distribution among Departments, rather than by a system of annual targets.

3. Assuming a contingency margin of 10,000, the objective is to make savings of 85,000 during the period. The Lord President reports that 20,000 will come from existing plans and that Departments have offered a further 40,000 new savings. There is therefore a shortfall of 25,000.

4. In the light of the response so far, the Lord President advises that a flexible approach will not work. He recommends a cut across the board of 10 per cent in each Department, with exceptions for prison staff and in a few very limited areas. The latter are not named, but I understand they include the small Legal Departments, the Intervention Board for Agricultural Produce (IBAP), and some Museums.

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5. If accepted, this will mean that nearly all Departments will have to find some further savings; and some considerably more. The Lord President does not say which Departments are below par so far. I understand that they are, principally, the Chancellor of the Exchequer's Departments (7,000 offered out of 118,500), Agriculture ('at least 150' offered out of 14,000) and Education (100 out of 2,600). The staffing of the Manpower Services Commission is still under review. In their defence, some of these Departments may argue that the baseline should be April 1979 rather than April 1980. For example the Chancellor's Departments were reduced by 8,500 during 1979-80 and he, and others, might argue that he is now being penalised for the benefit of those who are slower in making a start on savings. The Lord President rejects this on the grounds that collective decisions taken for 1979-80 cannot in effect be re-opened and brought into the arithmetic of the present exercise.

6. In his paragraph 11 he points out, that, on the returns so far, it looks as though numbers will fall only to about 690,000 by April 1982. He regards it as implausible to find the 60,000 balance in the following two years. He proposes accordingly that the objective should be 675,000 by April 1982 achieved by reductions in all Departments of 3 per cent more than on present plans.

7. In paragraph 14, and Annex B, he refers to proposals in the Public Expenditure Survey which would lead to additional staff. He recommends that those for IBAP and DHSS should be ruled out, and a decision deferred for those for the Home Office and the Office of Population Censuses and Surveys (see the table in Annex B).

8. On timing and procedure, he proposes that the Civil Service Department, advised by Sir Derek Rayner where necessary, should have further discussions with Departments on savings, and measures to improve efficiency, and that colleagues should let him have the necessary figures by 1st October with a view to his putting firm proposals to Cabinet by the end of October.

9. In the meantime he will report before the Recess on range pay for senior grades and merit pay in place of automatic increments; and after the Recess on promotion and succession policies and the scope for shortening the chain of command.

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9a. The Lord President refers in his paragraph 10 to gross savings of £500 million a year from 1983-84. This is misleading. Half is already assumed in the baseline. Some will be offset by the costs of contracting out, some savings in the Ministry of Defence could be used to finance equipment expenditure if they maintain their NATO growth targets. I understand that provisional estimates point to net savings of £40 million in 1981-82 rising to about £120 million a year from 1983-84.

/HANDLING

CONFIDENTIAL

HANDLING

10. You may wish to introduce the discussion yourself by reminding the Cabinet that the Government is firmly committed by your statement of 13th May, following the Cabinet discussion of 1st May, to reducing Civil Service numbers to 630,000 by April 1984. The Treasury and Civil Service Committee, the unions and commentators generally will be pressing for firm indications of how this is to be achieved, and will be quick to pick on any indication of uncertainty on the part of the Government. It is therefore essential that all Ministers should now give the Lord President their full co-operation in finding their share of the savings. For the moment it is probably sensible to work on the assumption that the contingency margin should be 10,000 - as proposed in paragraph 6 of the Lord President's paper - but the fact that it may be necessary to increase it reinforces the need to find the presently proposed savings in full.

11. You might then invite the Lord President to introduce his paper. He may well identify the 'offenders' himself but, in any event, you may wish to ask the Chancellor of the Exchequer, the Secretary of State for Education and the Minister of Agriculture to comment on their offers so far.

12. Since the proposal is that there should be further bilateral discussions there should be no need at this stage for a detailed discussion of the implications for individual Departments, and it would be much better not to close off any options. If Ministers have any general points they want to make at this stage the Lord President can take note of them for further consideration in the course of the bilaterals. In addition:-

- (i) you might ask the Chancellor of the Exchequer to comment on the proposal that the Lord President should report to Cabinet by the end of October with his firm recommendations. The Chancellor is provisionally proposing to come back to Cabinet by then with his final proposals on the 1980 public expenditure exercise. If he is to do this, he will need to know first what are the public expenditure savings which will arise from the staff cuts. This seems to point to the Lord President completing his work more quickly than he proposes;

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- (ii) some of the proposals for manpower cuts will require legislation if they are to be implemented. It would be helpful if when the Lord President reports further he could set these out in detail together with notes on any other major points which the Cabinet will need to take into account.

CONCLUSIONS

13. In the light of the discussion you will wish to record conclusions:-

- (i) confirming the objective of reductions to 630,000 by 1984 and the provisional assumption of a contingency margin of 10,000 posts within that total;
- (ii) calling for an across-the-board 10 per cent reduction on all Departments in order to achieve that target, with allowance for a few exceptions;
- (iii) confirming an interim target of a reduction to 675,000 by April 1982;
- (iv) agreeing that the manpower implications of the additional PES bids should be dealt with as proposed in Annex B of the Lord President's paper;
- (v) approving the bilaterals on further staff savings, and giving the Lord President a time by which he is to report back to Cabinet;
- (vi) inviting the Lord President in his further report to set out the legislative implications of his proposals, and any other major factors of which the Cabinet should be aware at this stage.

REA

(Robert Arms trong)

23rd July 1980

Prime Minister

Civil Service Efficiency and Manpower: C(80)43

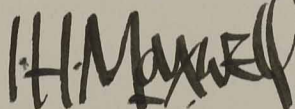
Cabinet is tomorrow discussing the Lord President's proposals for achieving our target of reducing the size of the civil service to 630,000 by April 1984. While I fully support the target itself, I regret I cannot agree to the means whereby the Lord President proposes it be achieved. His proposal that all Departments with very few exceptions, should reduce their staff numbers by 10% by April 1984 seems, if I may say so, to amount to an attempt to re-open the decision which we took on 1st May, that there should be flexibility in the way cuts are applied to different Departments.

My own departments represent only about 2% of the civil service, but they exist to fulfil statutory duties and to provide statutory services. I have no means of controlling the amount of work which comes to the courts, and it is certainly no part of our policies to lengthen delays in bringing cases to trial, or to provide the public with an inferior service. This would be the inescapable consequence of cuts on the scale which the Lord President is advocating. The savings which I have already offered to find represent the very most I can hope to secure from increased efficiency in the courts service. To go further would entail court closures and increased delays.

The same goes for the Land Registry and the Public Record Office. They cannot control the amount of work which comes to them. To find their share of the savings would mean, in the case of the Land Registry, the stopping of new registrations, and in the case of the PRO an amendment to the Keeper's statutory duties. The present exercise is designed to make the civil service more efficient, not to lead to the abandonment of worthwhile functions which Parliament has seen fit to provide for.

I would most strongly urge therefore that small departments like mine should not be subjected to arbitrary percentage cuts, but that the Lord President should discuss with individual Ministers how much it is sensible and realistic to expect particular departments to contribute, having regard to the extent to which Ministers are able to control the volume of work which their departments are required to undertake.

I am sending copies of this minute to other members of the Cabinet, the Minister of Transport and Sir Robert Armstrong.



Approved by the Lord Chancellor and signed in his absence.

23rd July, 1980

PRIME MINISTER



MAD 23/7/80

ms.

PRIME MINISTER

CIVIL SERVICE NUMBERS

Departmental returns of staff in post at 1 July 1980 have just been received. The total of 700,200 is a reduction of 4,900 from the 1 April number and 32,000 since we took office.

We are, so far, on course with our plans to reduce Civil Service manpower. Many Departments are continuing to restrict recruitment. The trend will continue downwards throughout this year.

Gross reductions are 7,200. The largest are in Defence (3,400); Inland Revenue (1,350); Environment (800); and the Manpower Services Commission (500). These are offset by increases of 2,300, mainly to cope with increased benefit payments, to improve anti-fraud work, and to staff the prisons. Largest increases accordingly come in DHSS (1,100); Home Office (500); and the Department of Employment (400).

The Minister of State will announce the 1 July staff in post figure in the House during Question Time today.

S.

SOAMES

23 July 1980

23 JUL 1980



GOVERNMENT

PRIME MINISTER

The only point which I am told the Chancellor wants to raise with you tomorrow is the question of industrial training, which was raised at Tuesday morning's breakfast. Attached is a minute on this.

You might want to have a go at the Chancellor on his Departments' manpower proposals - 7,000 reduction offered by 1984 out of a total of 18,500. It would be worth trying to reach some measure of agreement with him before Cabinet, since it is obviously undesirable for you to be seen at odds with the Chancellor at Cabinet on a matter of this kind.

The Chief Secretary and Nigel Lawson are having their bilateral with Francis Pym tomorrow on this year's cash limit problem. I expect the Chancellor will want to come back to you on that after the bilateral.

23 July 1980



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 3620

Sir Douglas Wass KCB
Permanent Secretary

Sir Derek Rayner
Cabinet Office
Whitehall
LONDON
SW1

PL
21/7

21 July 1980

Dear Derek,

INSPECTOR-GENERAL OF THE CIVIL SERVICE

I have read with interest your note which Clive Priestley circulated under cover of his minute to Jeremy Colman of 14 July. I have also seen Ian Bancroft's letter commenting on your note. I thought you might find it helpful to have in writing my own reactions to your suggestions in advance of the meeting we are to have on Wednesday.

I begin by declaring my whole-hearted endorsement for your proposition that at the centre of any modern organisation there must be a capability to design and monitor systems of financial, manpower etc control and management. However much the constituent parts of an organisation are required to operate the system, there must be some central authority for the dissemination of best practice, for the maintenance of standards and so on. Where I have difficulty with your approach is over the proposition that the organisation arrangements intended to strengthen the centre's functions in regard to systems should include an Inspector General.

You pin a good deal of your case on the argument in paragraph 4, viz that the Government and the Civil Service need an outside critic brought in at fairly regular intervals. But you do not say why this is so. Of course we need - as does any organisation - constructive self-criticism. I believe in this, almost passionately. But the IG idea is based not on self-criticism but on external criticism. Now it seems to me to be of the essence of any system which relies on external criticism that it will to some extent undermine self-criticism. I know of no other organisation which has an inbuilt system of external criticism comparable to that which you are proposing; and I wonder how you feel that an IG would function in Marks and Spencer. My own suspicion is that he would subtract from, rather than add to, the motivation and

purposefulness of those parts of the organisation which are currently charged with his responsibilities. What would the effect be on the Finance Director if there were an IG reporting separately to the Board?

When I turn to the IG's functions as listed in paragraph 7, I find all these, except possibly (f), to be functions which ought to be exercised by either the CSD or the Treasury. We all want these two departments to perform effectively and coherently. But if you create a post or a body which claims some of those depts' functions you will in my view almost certainly diminish both the morale of those departments and their effectiveness.

More particularly I have the most serious reservations whether an IG with the size of staff you have in mind has the resources to carry out the functions you would assign to him. To make comprehensive judgments of the kind you outline in paragraph 10 would require far more than a handful of staff. These are the terms of reference of a whole department, not of a group of a dozen or so people.

The one area of activity which we cannot claim the CSD/Treasury attempt to cover is that of being a recognised receptacle of complaints and criticisms. Of course we get many such messages, but people are not actively encouraged to write to us about them. What you seem to envisage in this field is a sort of administrative Ombudsman for the Civil Service. Again I have misgivings. I am very much in favour of a constructive suggestions scheme and I believe we could do more to promote this idea at every level. But the idea embedded in your paper carries too much the flavour of encouraging "informers" within the Civil Service. Do we really want to see managers looking over their shoulders at their subordinates, wondering whether their activities and their shortcomings are to be reported to the IG? Nothing would be more calculated to destroy management morale than that and I cannot believe that you would want to be a party to such an end.

To sum up I agree totally with you ^{on ends.} But unless the IG were formally a part of the Treasury/CSD and under the jurisdiction of the Treasury/CSD Ministers and Permanent Secretary it would in my view have the seeds of inefficiency not efficiency.

I am sending copies of this letter to Ian Bancroft, Robert Armstrong and Clive Whitmore.

Yours etc.
Douglas Wass
DOUGLAS WASS



12 JUL 1980

SECRET



CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

*Sir Ian Bancroft G.C.B.
Head of the Home Civil Service*

Sir Derek Rayner
Cabinet Office
70 Whitehall
LONDON SW1

18 July 1980

Dear Sir Derek,

*hw
20/7*

INSPECTOR GENERAL OF THE CIVIL SERVICE

1. Thank you for sending me a copy of your note of 14 July about the proposal for an Inspector General. I agree that it would be useful if you, Douglas Wass, Robert Armstrong and I could have a word about it before the meeting with the Prime Minister on 23 July. With that in mind, I thought it might be useful to send you my first thoughts on the note.
2. The main question on which, I think it is essential to be clear, is the accountability of the Inspector General. You have yourself laid great stress on this where "regular" Ministers and officials are concerned. It seems to me even more important in considering the introduction of a new office on a stage already well peopled with principal actors.
3. We are at one on the statement in the first paragraph of the note. The functions you mentioned there must be central ones. I would go one step further. Whether these functions are best located in a single central department is arguable. But I do not see how they can be separated from the functions of what are now the Treasury and the CSD.
4. Take, for example, the first five of the functions listed in paragraph 7 of the note. These are all matters which must, in my view, be part of the responsibility of the Ministers of the central department(s). I do not see how they could possibly do their job otherwise. Those who

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allocate the resources of money and staff must have a responsibility for satisfying themselves that those to whom the resources are allocated have adequate systems for managing them. Executive responsibility for these tasks could not, therefore, be given to an independent Inspector General. The Ministers of the central department(s) could, of course, delegate work on these executive functions to an Inspector General, but only if he were answerable to them and was, therefore, located in the Treasury/CSD, not in the Cabinet Office or elsewhere.

5. The note also proposes important advisory functions for the Inspector (I read paragraph 10 as including a mixture of executive and advisory duties). It would, of course, be possible for the advisory work to be done by an independent Inspector General reporting direct to the Prime Minister. You are, if I may say so, the proof that this is not only feasible but can also be extremely effective. But I believe than an independent adviser on these functions would be acceptable to Ministers and senior officials - and also to the world outside - only if he were an "outsider" with a track record such as yours. Once the office is institutionalised, and made part of the standing machinery of central government, the picture changes. An official must be answerable to a Minister, and will need to be able to invoke his Minister in case of need if he is to be effective. The question then is which Minister? Given the responsibilities of the Treasury/CSD Ministers in the field in which an Inspector General would operate, I think the answer must be that he would come under them - unless the object were to provide the Prime Minister with an official machine for checking on what the central Ministers were doing. That would be a major constitutional innovation and not, I would suggest, a happy one.
6. This suggests not only that the Inspector General should have no independent executive responsibilities formally allocated to him, but also that his advice should at least formally be channelled through central departmental Ministers.
7. Moreover, I think there would be practical difficulties in locating the Inspector General in the Cabinet Office with a very small staff of his own but a right to use CSD or Treasury officials as he pleased. There could be problems in sorting out the relative priorities of the demands made on them by the Inspector General and the claims of the staff's departmental work. For example, the O & M specialists and the central corps of staff inspectors in CSD are needed both to assure the quality of departments' O & M staff inspection and to undertake cost-cutting and efficiency studies which can only, or best, be done from the centre. At the moment, their programme of work is drawn up to meet priorities set by CSD Ministers. It is difficult to see how they could be diverted to other tasks set by an independent authority without real risk of confusion.

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8. As to "complaints and suggestions", I very much welcome what you say in paragraphs 13 and 14. But I think we need to be careful not to cut across the managerial responsibilities of departmental Ministers. Certainly, we want serving officials to feel a positive encouragement to make suggestions and cut out waste. I should have thought, however, that it was the job of the departmental Minister - assisted by his Permanent Secretary, PEO and PFO - to ensure that suggestions and complaints are properly examined and acted upon. I certainly think it would be appropriate for an Inspector General to discuss with departmental Ministers their systems for investigating suggestions and the action they have taken in response to complaints about waste and inertia. But I believe it would be wrong for those suggestions and complaints to go direct to the Inspector General; that would confuse lines of accountability and make departmental Ministers defensive, instead of motivating them to take a positive lead on efficiency themselves.
9. This analysis suggests to me that if there is a role for an Inspector General, it is to strengthen and give emphasis to the drive to improve efficiency and management within the framework of the central department(s) which carry the responsibility for "his" subjects.
10. The Inspector General should have no independent executive responsibilities; in our system, such responsibilities can belong only to Ministers. The central departmental Ministers could, however, delegate functions to him and he would then be answerable to them.
11. The Inspector General would have a strong "quality assurance" and advisory role. His advice would be directly relevant to the responsibilities of the central Ministers, and much of his advice would be to them. But provided that his accountability was clearly defined and understood, it would be possible in practice for him to offer advice to other Ministers, and when appropriate to the Prime Minister, directly.
12. For the reasons given in paragraphs 10 and 11, it would be better to locate the Inspector General in CSD or in a merged CSD/Treasury rather than in the Cabinet Office. This is not only for reasons of accountability but also to avoid the staffing problems mentioned in paragraph 7 above.
13. If this general approach is agreed, the next question is whether it would be worthwhile, either within CSD, or in a reunited Treasury and CSD, to institute a new office with the kind of responsibilities you have outlined. The argument in favour is primarily, as I see it, the emphasis that it would

3
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S E C R E T
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give, both inside and outside the Service, to the importance of the subjects. And that might be an especially valid point in the context of a re-united Treasury, which might otherwise give them lower priority. That argument has, however, to be weighed against the problems of carving out for the Inspector General an appropriate command which would enable him to operate effectively without damaging the necessary links between his work and that of the rest of the department. I would doubt, for example, whether he should be responsible for the supply control of manpower and staff-related expenditure - and the case we have discussed for a re-united Treasury indeed largely rests upon the advantages of bringing that closer together with the rest of public expenditure. But there would undoubtedly be some penalties to be paid if the work on expenditure control were to be more widely separated from staff inspection, management services and cost-cutting and scrutiny work; we have put quite a lot of effort in recent years into bringing them together.

14. You will see from what I have written above that I am not yet persuaded that an Inspector General is the right thing to go for, as opposed to the strengthening of, and maintaining powerful Ministerial support for, the relevant functions of the central department(s). But I recognise the argument the other way and am open to conviction. If it is decided to pursue the idea further, the next step I think, would be to try to specify in detail the Inspector General's functions and the supporting organisation he would need.
15. I am glad to hear that your note on the Inspector General has now been shown to the Chancellor of the Exchequer and the Lord President.
16. I am sending copies of this to Douglas Wass, Robert Armstrong and Clive Whitmore.

J. G. C. *Chama*

for IAN BANCROFT

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21 JUL 1980

CONFIDENTIAL

Gilbert JS

MR. ALLEN
SIR DEREK RAYNER'S OFFICE

This minute is to confirm that, as I have already told you, we are content that Sir Derek Rayner's revised paper on the Inspector-General of the Civil Service may be circulated to the Lord President and the Chancellor of the Exchequer.

MAP

18 July 1980

NR



✓
MHP

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/15239/80

Your ref:

15 July 1980

Dear Paul

Thank you for your letter of 30 June; I am glad you found the MINIS meeting interesting.

The current, first, round of the MINIS exercise was deliberately designed as a detailed one. I shall review it during the Summer to build on the lessons we have learned the first time round.

You will know that this Department reduced its numbers by 8% in our first year and we are now currently identifying a 10% target reduction by next April in area after area. We could not have achieved this without such a management system and I would like to know how you see the use of such a system generally in Whitehall?

I think you hope that the use of management information systems in Government Departments might best be carried forward as part of Derek Rayner's "lasting reforms" exercise. My officials operating my MINIS system will be ready to help, and I believe would provide you with very valuable first hand experience.

I am about to hold another of my senior management meetings at which I intend to make a detailed speech about our findings from MINIS. I will send you a copy.

I am copying this to the Prime Minister and to Sir Derek Rayner.

Yours ever
MHP

MICHAEL HESELTINE

16 JUL 1980





10 DOWNING STREET

Clare

Muri

I agree with the above
there & have read it and have
copies before next week's meeting
This note suggests that
the 'Inspector-General'
survived last week's

dinner. Yes - written as Taylor,
I guess.

The immediate question
is whether copies of this
paper should go to the
Chancellor + Lord President.
I think yes, in which
case no action is
necessary on our part -
see para 3 below

M.P. 15/11

COVERING SECRET

Mr PATTISON

INSPECTOR-GENERAL OF THE CIVIL SERVICE

(Earlier reference: Sir Derek Rayner's personal minute to the Prime Minister, 3 July)

1. At her private meeting with Sir DR and Sir Robert Armstrong on 8 July, I believe that the Prime Minister indicated that she was content for a note on this subject to be circulated to Sir Ian Bancroft and Sir Douglas Wass.
2. That has been done and I attach a copy of the relevant minute to Mr Colman.
3. On the question of circulation to the Lord President and the Chancellor also, I will arrange for the note to go to their private offices on 18 July unless you advise me otherwise.

Title

4. The Prime Minister thought that "Inspector-General" had a Star Chamber ring. That explains the qualification which now appears on p.1 of the note.
5. The synonyms for "Inspector" sound either unsuitably clinical (analyst, examiner) or even more inquisitorial and bureaucratic (scrutiniser, perscrutator).
6. Other possibilities seen either archaic, eg Surveyor, or somewhat off-centre, given our conventional use of certain words, eg Commissioner. There is also an ungainliness about such titles as "Commissioner for Efficiency" or "Special Commissioner".
7. We might instead have a descriptive title, based on the proposition that the "Inspector-General" would have a staff.
8. Sir DR quite likes the possible name given on p.1 of the note, "Head of the Efficiency Review Office", although the acronym HERO might take some living up to or down.
9. Perhaps the right course would be to play down the idea of a title for the chief "inspector" and to concentrate instead (à la CPRS) on the name of the staff. "Central Efficiency Review Staff" might do (CERS?) but "Central Management Review Staff" (CMRS) might be better.

CP
C PRIESTLEY
14 July 1980

Encs: Copy minute to Mr Colman
Revised note by Sir Derek Rayner



Faint, illegible text covering the majority of the page, likely bleed-through from the reverse side.



14 JUL 1980

SECRET

cc for information

Mr COLMAN

Mr Taylor (HM Tsy)
Mr Wright (CO)

INSPECTOR-GENERAL

1. Sir Ian Bancroft's minute to the Prime Minister of 30 June mentioned that Sir Derek Rayner wished to develop further his ideas about the "Inspector-General".
2. This he has now done in the form of the attached note. It is a general description and more work would be needed to translate it into a practical job specification, but it should serve the present purpose, which is to expose the issues.
3. I understand that the idea of the "Inspector-General", but not the title, was received favourably in a recent private talk between the Prime Minister and Sir DR. As the issues in the note have some relevance to the meeting on 23 July, I am consulting Mr Pattison separately on whether or not the note should be sent to the Lord President and the Chancellor in time for that meeting.
4. If it could be managed, it would be helpful for the three Permanent Secretaries and Sir Derek Rayner to have a word about the note, especially if it goes to the two Ministers before 23 July. One possibility might be to meet here at 2 15 on Wednesday 23 July, before the "merger" meeting. Will you please liaise with Mr Allen (233 8550) in my absence on leave from the end of Wednesday 16 July?

CP

C PRIESTLEY
14 July 1980

Enc: Note on Inspector-General

INSPECTOR-GENERAL OF THE CIVIL SERVICE

Note by Sir Derek Rayner

Background

1. In my minute of 26 March I suggested that the "function of the centre of any organisation must include the design and testing of systems of control and management in respect of money, manpower, personnel and assets and operations" (para. 16c).

2. I went on to recommend that the mechanisms of control and testing would best be provided by organisational arrangements including an "Inspector-General of the Civil Service" reporting direct to the Prime Minister and the merger of the relevant parts of the Treasury and CSD (para. 17).

3. The purpose of this note is to propose what the functions of this officer should be and to comment on where he might be sited in the machinery of government. (I am not wedded to the title "Inspector-General"; although it is both striking and exact, it might sound too Prussian to some; a more descriptive title, like "Head of the Efficiency Review Office", might be better. However, title is secondary to function and for the purposes of this note I am using "Inspector-General" (I-G).)

General

4. A new office of Inspector-General is needed to free the Government and the Service from the need to bring in people like me at fairly regularly intervals. Both the Government and the Service should be capable of such constructive self-criticism, conducted as far as possible in the light of the public gaze, as to show that they have an adequate quality assurance and have made suitable administrative preparation for the future.

5. The word "inspector" implies inquiry, assessment and examination. Some is necessary, for the good health of the Service and for the satisfaction of the public. I would not however assign the functions of assessment and examination here considered to a body other than the Government itself.

6. I am not in favour of something like Mr Chapman's "New Audit Department", with its strongly inquisitorial overtones, for three reasons:

a. I am here concerned solely with the Executive's roles of managing and policing itself, not with the audit role of the Legislature.

b. Although the formal disciplines of examination have value, and there is scope for a very considerable development of the audit function, both at the centre and in departments, I regard the main task of the I-G as assisting Ministers and their Departments, ie one of promoting quality assurance, not prosecution.

c. I make the critically important assumption that the Service is capable of excellence and is, in part, excellent in the use of resources. The I-G would not therefore sit on an island of good thinking surrounded by a sea of incompetence. Instead, at least some of his work would consist of making sure that he and the Service had learnt from the good practice of departments.

Functions

7. I regard the I-G's functions as relating to the following:

- a. The strength and reliability of systems for the planning, allocation and use of money and manpower, including the organisation of departments;
- b. the most cost-effective use of manpower at all levels;
- c. the most cost-effective use of technology in support of or substitution for manpower;
- d. the performance of all elements of the Service, generalist and specialist alike;
- e. developments in or affecting the Service, eg industrial relations;
- f. monitoring the response to complaints made against the Service or by Civil Servants themselves and suggestions made similarly;
- g. the general lessons for efficiency, eg in the use of manpower, to be derived from reports of the Comptroller and Auditor General, the proceedings of the Public Accounts Committee and the reports of the Parliamentary Commissioner for Administration; and

h. helping to represent the Service, insofar as it requires representation by a senior official at the centre in addition to the representation provided by the Prime Minister, Ministers and Permanent Secretaries.

8. Creating new or changing the titles of existing senior officials will effect no changes in itself. It is therefore important, in my view, to express the functions of the I-G in terms of first, personality and, secondly, a policy, regularly renewed, one of whose requirements should be that he should report annually on the progress made by the Service, under Ministers, towards achieving the policy in practice.

Personality

9. I have a firm conviction that the post of Inspector-General should be filled, not by a Permanent Secretary of older years, but by a younger officer. This should be someone of drive and determination, prepared to be tough when necessary, but still seen as the friend and counsellor of the Permanent Heads of Departments. He should delegate much of the work which at present appears to occupy Permanent Secretaries of the CSD and devote most of his time to the issues which call for leadership and block-busting. He should occupy the post for not less than 5 years.

Policy

10. If the I-G were appointed later this year, I would envisage his first commission or warrant from the Prime Minister somewhat in the terms set out below. It can and should be made much more specific so as to produce a detailed programme for monitoring by her; it requires that the I-G should have authority to procure management information from departments which enabled him to make judgments about their performance.

"You are to assist Ministers and Departments in laying a sound basis for the optimum use of manpower and the continuing reform of operations and administration.

You will be responsible for carrying into effect such "lasting reforms" as lie wholly in the power of central Ministers and for assisting the Cabinet or individual Ministers to give effect to those which do not. [Details to be specified, with a timetable.]

You are to concern yourself generally with the quality of work done by the Civil Service and with [such matters as those specified in para. 7 above]. You should pay particular attention to the contribution to be made to this work by the scrutiny programme and such other co-operative means as management review.

You should in general lead and assist development in cost-consciousness and the care of assets. You are to undertake development work and inquiries, either on your own or in collaboration with departments. [Subject to agreement: In the case of work whose success depends on the collaboration of departments, Cabinet has agreed that departmental Ministers will grant you access to and provide you with assistance from their Departments.] You should so develop your knowledge and understanding of departmental operations as to enable you to assess departmental effectiveness. You are in any case to visit each departmental Minister annually, to receive comments or guidance from him and to give him your impressions of the strengths and weaknesses of his Department.

You are to take personal responsibility for the scrutiny and management review programme at official level and for laying before Ministers annually a statement and appraisal of the cost of administration.

You should be prepared both to recommend and undertake special studies or assignments on behalf of Cabinet as a whole, as well as being available to advise departmental Ministers, whether on a confidential basis or otherwise, on aspects of their departmental operations, organisation and staffing.

You are both to advise and guide and to seek the advice and guidance of Permanent Secretary Heads of Department in all the above.

You should annually agree your plan of work with me and should report its outcome to me, again in a form suitable for publication."

Complaints and suggestions (7f above)

11. It was put to me last year by a serving Civil Servant that a new office was required to examine, on a somewhat similar footing to that of the Parliamentary Commissioner, complaints of inefficiency and waste made by and the reasonable grievances of public sector workers.

12. My correspondent's suggestion was that the new officer, whom he called the "Crown Invigilator", should be a judge with the status and authority of a member of the High Court; his small staff should be led by two lawyers; he should have the power to summon witnesses and call for papers; he should have the right to initiate inquiries himself; and his remit should cover all public services, not just the Civil Service.

13. I have reservations about this. My interest here is solely in the Civil Service. I would be very hesitant about involving the law. I do not want a charter for crackpots. And, whatever merits the idea might have in some quarters, I would very much want the emphasis to be on suggestions rather than complaints.

14. I acknowledge that there can be a fine boundary between complaints and suggestions. I know that the Service operates a staff suggestions scheme. But I have had a continuing flow of letters from serving and retired Civil

Servants containing useful ideas and good leads. This and the enthusiasm of people whom I have met in local offices both suggest that the inertia of the large organisation requires a countervailing force within it to encourage ideas which might otherwise be stifled and provide an appeal route for staff who believe themselves unfairly treated and without resort in their own department. (This overlaps somewhat with the recommendation in my minute of 26 March that Civil Servants should be enabled to give of their best.) I should like to see staff encouraged to use the office of the I-G and him given access to departments to follow up points put to him when necessary.

Resources and location of the Inspector-General

15. The resources available to and the siting of the I-G can be visualised in several different ways. I suggest two for consideration.

16. First, he could be regarded as occupying a new Permanent Secretary or Second Secretary post outside the Treasury/CSD, paid for by abolishing such a post elsewhere. His main resource would be his warrant from and access to the Prime Minister but this would be no good on its own unless

- a. he was someone likely to command the respect of Ministers and Permanent Secretaries; and
- b. his staff were similarly well equipped.

17. If the I-G were outside the Treasury/CSD - for example, in the Cabinet Office but not of it - he would be more obviously independent and inspectorial in function than if he were an officer of the Treasury/CSD. This is what I would prefer.

18. He would have a small review staff. They would have to be of the highest calibre but few in number, up to 10. They should include officers experienced in Principal Finance and Establishment Officer duties and officers with experience of management and new technology. He would have the right to draw upon Treasury/CSD and departmental staff, by agreement in the case of the latter.

19. Another course would locate the I-G within the Treasury/CSD, perhaps occupying what is now the Second Secretary slot in CSD. That would give him a substantial staff, including the Groups controlling Manpower and Computers and dealing with Management & Organisation and

Functions & Programmes. He might also have under command or draw upon relevant parts of the Public Services Sector in the Treasury.

20. Under this option, the I-G is much less obviously independent and inspectorial than under that in paras. 16 and 17. It would perhaps give him a role more immediately recognisable to the Service, but that has disadvantages as well as advantages.

Derek Rayner
14 July 1980



Civil Service
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

SMP

MANAGEMENT - IN CONFIDENCE

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1A 2AZ

3 July 1980

Paul Channon

INDUSTRIAL SPONSORSHIP

Thank you for sending me a copy of your letter of 9 June to Keith Joseph. I agree with your aims here. Certainly as regards the nationalised transport industries, the initiatives on privatisation which I have in hand should reduce the amount of work for officials once they have been put into effect.

We must, I suggest, be careful that the search for staff savings should not extend to reducing our efforts to promote exports, resist import penetration and help British industry through public sector purchasing. The transport industries have a good record in winning export orders. My Department puts all it can, with the Departments of Trade and Industry, into supporting British industries in this way, and I believe that it is important that this work should continue.

Copies of this letter go to the recipients of yours.

Yours ever
Norman Fowler

NORMAN FOWLER



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000 // July 1980

Jim Buckley Esq
Private Secretary to Lord President
Civil Service Department

Dr Ji,

CIVIL SERVICE EFFICIENCY AND MANPOWER

I understand CSD officials have queried some of the figures in the Chancellor's letter to the Lord President of 7 July. The reason for this is that we had used statistics for staff in post in the Chancellor's departments which had been published in the Monthly Digest of Statistics. It appears that these include the Treasury Solicitor's staff, and, by established tradition, the Paymaster General's office staff. Neither of these are Chancellor's departments for the purpose of the present exercise.

.... I enclose a table showing the correct figures for staff in post on 1 April 1979 and 1 April 1980 respectively. Applying the formula set out in the Chancellor's letter, this means that the reduction on the number of staff in post on 1 April 1980 would be 11,100 rather than 11,300. Similarly, the target figure for 1 April 1984 becomes a little under 107,500 instead of 108,600.

I am copying this letter to the Private Secretaries to members of the Cabinet, to David Wright and to Clive Priestley.

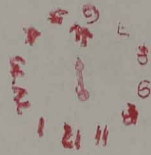
Ys ever,
MK

M A HALL

STAFF IN POST

	<u>1.4.79</u>	<u>1.4.80</u>
Inland Revenue	84,645½	78,312½
Customs & Excise	28,771	27,232
Dept. for National Savings	10,808	10,407
Treasury*	1,056	1,044
Royal Mint	1,375	1,337
Registry of Friendly Societies	111	116
National Investment Loans Office	82	68
Exchequer Office, Scotland	56	51
	<u>126,904½</u>	<u>118,567½</u>

* excludes agency staff



14 JUL 1980

Mr Carter
na
mi

cc Mr Whitmore
Sir Derek Rayner

NOTE FOR THE FILE

1. Mr Hoskyns rang me yesterday in response to the last paragraph of Sir DR's letter to him of 4 July. He said that he thought it unnecessary for us to meet as his Unit was not "into" Civil Service matters and there was no early prospect that it would be. We agreed however that it would be useful for us to compare notes generally during the autumn and that it would be for Mr Hoskyns to get in touch about this. My clear impression was that Mr Hoskyns wished to distance himself from CS matters as much as possible.

Sp

C PRIESTLEY
8 July 1980



DEPARTMENT OF ENERGY
Thames House South
Millbank
London SW1P 4QJ

Tel: Direct Line: 01-211
Switchboard: 01-211 3000

You may wish to see this

With the Compliments of

the

Secretary of State

1. CAY MW 11/11/11
To see X

2. EF na MA 11/11/11

CC PUS
Mr. Emmett

Civil Service

01 211 6402

The Rt Hon Lord Soames PC GCMG GCVO CBE
The Lord President of the Council
Civil Service Department
Whitehall
SW1A 2AE

8th July 1980

Dear Emmett

CIVIL SERVICE EFFICIENCY AND MANPOWER

I am replying to the request in your letter of 4th June to Willie Whitelaw for an outline of my plans for reviewing functions and efficiency and a provisional view about what further staff reductions I can propose.

Two general points. First as the Venice Summit emphasised the implementation of a strong energy policy is of critical economic importance. I have arranged to make sure that the resources at my disposal are adequate as well as efficient and wholly relevant. Second, on present plans D/Energy will account for only 0.18% of the 630,000 target the Prime Minister announced on 13th May.

X / But of course neither this necessary perspective on my Department's relevant size nor the extent of our previous cuts - double the average of cuts announced on 6th December - will mean any reduction in my continuing efforts to reduce manpower and increase efficiency. You may like to know that, in the move towards my 1160 staff-in-post target on 1st April 1982 Senior staff reductions will exceed the average cut-back. If, in due course, it were decided that we can manage with fewer junior Ministers this too would save staff and other costs both directly and indirectly.

As to further cuts, I am encouraged by the results of the recent 'Rayner' scrutiny of our Economics and Statistics Division and am instigating reviews of, for example:

- a) the role and relationship of my AE Division and the UKAEA;

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

-2-

- b) alternative methods of obtaining technical/
technological advice.

You may also know that our officials are hoping to make early progress on the trial introduction of word processors into the Department of Energy, and we rely on your full support here.

There is no certainty that these and other reviews will produce major or indeed any further cut-backs and they will take a little time to complete. I will let you know the results of our further work and I will certainly do all I can to make a further contribution to the common objective. But my initial contribution was a proportionately high and realistic one and we do not employ enough people for there to be large absolute savings from discovering unnecessary work or inefficient work practices. Moreover, the Department is small enough for me to know it well and be reasonably confident that in most areas we are getting proper value for money.

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

D A R HOWELL

*Yours as
DAR*

11 JUL 1980

11 13 1 2
9 0 3
8 7 6 5



Civil Service
M

PRIME MINISTER

Inspector General of the Civil Service

You are due to discuss the attached note by Sir Derek Rayner when you have dinner with him tomorrow night. I also attach below a note by Mr. Hoskyns which you have not seen before.

I do not really understand what Mr. Hoskyns means by "cultural problems" but I do agree with him that Sir Derek Rayner's proposal that there should be an Inspector General of the Civil Service needs thinking about very carefully before you reach a view on it. We need to be clear that the Inspector General would make an effective contribution of a kind which we lack at present but would not at the same time create a new parallel bureaucracy. The terms of reference which Sir Derek Rayner proposes for him in paragraph 10 of his minute are very wide ranging indeed and if they were carried out effectively, would demand a substantial effort across the whole of the Civil Service. Yet, in paragraph 17, Sir Derek Rayner envisages that the Inspector General's team would number ^{up} ~~more~~ more than ten. Even if these people were of the highest quality as Sir Derek Rayner proposes, I doubt whether they would be able to help the Inspector General make the impact expected of him. I would have thought a considerably bigger supporting cast would be needed.

But then we need to ask what the effect would be on the Departments at the receiving end. They would find themselves dealing with both the Treasury/CSD and the Inspector General and his staff and this increase in the workings of the bureaucracy seems likely to me to offset many of the benefits the Inspector General might bring.

The alternative - which would avoid the duplication of bureaucracy which I have just mentioned - would be to put the Inspector General inside the Treasury/CSD, as

/Sir Derek Rayner

Sir Derek Rayner envisages in paragraph 18 of his minute. But once the novelty of the institution had worn off, how different would the day-to-day reality of the relationship between the Treasury/CSD and other Departments be from what it is now? As I say, I think the concept of an Inspector General of the Civil Service needs thinking through very carefully before you take any decisions about it. If you think it worth exploring further, the next step might be for Sir Derek Rayner to work up a paper which we could consider in the same ~~form~~^{forum} as the one where you will be discussing the question of the possible unification of the Treasury and CSD i.e. the group consisting of the Chancellor, Lord President, Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass and Sir Derek Rayner.

JWW.

7 July 1980

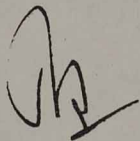
H. H.
PRIME MINISTER

THE DEREK RAYNER PROPOSALS

You are discussing these with Derek Rayner tomorrow evening.

?
-
?
We believe that these proposals, which are largely concerned with organisation and cost-effectiveness, do not really go to the heart of the cultural problems. We feel strongly that it would be most unwise to make early decisions on the Rayner proposals without a good deal more thinking about the cultural aspects. Without addressing those, organisational change will change nothing that really matters, any more than the original setting-up of CSD did.

I would therefore strongly urge that you make no substantial decisions at this stage. I know that David feels much the same as Norman and I do on this question and we would welcome a chance to discuss it with you as soon as it is convenient.



7 July 1980



Prime Minister Civil Service
 The Chancellor is still being
 pulled in both directions
 in manpower figures.

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

7 July 1980

The Rt. Hon. Lord Soames, PC, GCMG, GCVO, CBE, CH
 Lord President of the Council

Dear Christopher

CIVIL SERVICE EFFICIENCY AND MANPOWER

I am replying to your letter of 4 June to Willie Whitelaw copied to Ministers in charge of Departments.

I should first of all say that in our efforts to reduce the size of the civil service I regard the overall target of 630,000 including a "contingency reserve" of 10,000 as the overriding objective. You can count on my full support in your efforts to achieve it. But in producing options to bring us closer to this target, I feel strongly that if the "equal misery" principle is to apply - and at this stage it must - then it should not operate in a way which penalises those Departments, such as my own, which responded well to earlier calls for reductions in numbers, and, pro tanto, lets off lightly those which were less forthcoming.

It therefore seems both logical and equitable to use staff in post on 1 April 1979 as the base rather than, as your letter implies, the number in post around the time you wrote, which I understand your officials have been interpreting as 1 April 1980 (with further adjustment for last December's savings and this year's 2½ per cent).

On this basis, the 630,000 target represents a reduction of 13.9 per cent on the 732,000 in post on 1 April 1979. If you allow for a "contingency reserve" of 10,000, this increases the reduction necessary for planning purposes to 15.3 per cent.

As you know, my Departments are the following:- Inland Revenue, Customs and Excise, DNS, Treasury, Royal Mint,

/National



National Investment and Loans Office, Registry of Friendly Societies and Exchequer Office, Scotland. The number of staff in post in all of them taken together on 1 April 1979 was 128,200. A reduction of 13.9 per cent would bring this down to 110,400 and the full reduction of 15.3 per cent would produce a figure of 108,600. The number of staff in post on 1 April 1980 was 119,900. The objective which I have set myself is to reduce this by 1 April 1984 to 108,600, i.e. a reduction of nearly 20,000 compared with the 1979 figure and one of 11,300 compared with the present (1 April) figure. I hope you will agree that by any standard these are very substantial reductions.

I face a particular difficulty in the case of the Customs and Excise, where the increase in VAT from 8 per cent to 15 per cent has certainly increased the burden of coping with extra temptation to evasion. Customs also face demand-led growth at the ports as travel and trade continue to grow: the drug trade particularly. These factors severely restrict the overall savings I can offer.

Secondly, any offer I make will have to be at least partially contingent on the willingness of colleagues to accept some unpalatable changes in the tax law and on our having fiscal room to finance real reductions in direct taxation. Given that the distribution of staff reductions amongst my Departments will depend to this significant extent on future fiscal choices, I am, as I am sure you will understand, not able to offer at this stage a full department-by-department breakdown of the reductions I am offering.

I must also stake out several clear claims upon the central manpower "contingency reserve", particularly as my Departments are being asked to contribute to it. I have three specific contingencies in mind:-

- (i) The figure to which we have reduced the Inland Revenue need for extra staff when unemployment benefit is brought into tax is 1,400.
- (ii) The Royal Mint, as a commercial operation, needs - and is anxious - to shed staff in order to increase its productivity vis a vis foreign competitors. This will contribute towards my overall total savings. But if profitable new business does offer itself on a large enough scale, the Mint must be able to take on extra staff to handle it.

/ (iii)



- (iii) DNS' staff needs are closely related to the level of business, and their substantial contribution to my offer must clearly be subject to any needs that might arise from any unexpected increase in demand for the Department's services.

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

G — —
Howe
—

GEOFFREY HOWE



1990 JUL 27

MANAGEMENT—IN CONFIDENCE

288's



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

7 July 1980

The Rt Hon The Lord Soames, GCMG, GCVO, CBE
Lord President
Privy Council Office
LONDON
SW1A 2AT

✓ MRP
7/11

Dear Christopher,

Thank you for sending me a copy of your letter to Willie Whitelaw of 4 June.

The government of Northern Ireland under direct rule gives me responsibility for a large number of staff all of whom can be classified as civil servants but only 221 of whom serving in the NIO itself are comprised within the service to which the target figure of 630,000 by 1 April 1984 applies. The remainder range from those in the Northern Ireland Civil Service (some of whom are employed in the NIO), to whom the same considerations should apply as to the civil servants for whom you are responsible, to those who, elsewhere in the UK, would be working for local government or other public authorities. I take the view that I must adopt a consistent policy towards all the public service manpower for which I am responsible, and one compatible with that adopted by the Cabinet to the UK Civil Service, but that the application of that policy must be tailored to the precise circumstances of each of the several manpower groups under my charge.

I shall myself be reviewing each function and group of staff related to it, with the Permanent Secretary of the NIO, the Head of the Northern Ireland Civil Service, the Principal Establishment and Finance Officer (NIO), and the Head of the Civil Service Department (NICS). I set out below the target figures or other criteria I have identified for each group, with my comments on each. There is, however, one general point which applies especially to those whose functions are either directly or indirectly concerned with law and order. It is not possible to perceive precisely how their essential tasks will develop over the next three years, but the desirable course, in terms of the well-being of the Province as a whole, is that they should progressively take more of the strain on the rope from the Army (thereby reducing the strain on them). Planning is already developing on this basis and, as you will see from certain groups identified below, especially those concerned with police and prisons, the expectation is that these will increase in size over the next three years. I do not intend

MANAGEMENT—IN CONFIDENCE

to allow these planned increases to proceed unchecked. But I would apply to these services the principle that it is for the management authorities (including the statutorily established Police Authority in the case of the Royal Ulster Constabulary) to determine their priorities as between manpower and other facilities. They will have to do this within a budget which I shall ensure is below what was originally planned, in order to achieve significant savings.

Subject to this, my proposals are as follows:

Northern Ireland Office

a) UK Civil Servants. 221 staff in post at 1 April 1980, in London and Belfast. I aim to reduce these to 200 by 1 April 1984 which is equivalent to an 8% cut from present staff in post numbers, plus the firm savings announced on 6 December and the continuation into later years of the 2½% cash limits squeeze being made this year. I make no proposals with regard to the additional 45 Crown Servants who make up Liaison Staff (based in Northern Ireland), of whose existence you will be aware.

b) NICS in Headquarters. 498 NICS in post at 1 April 1980, employed in the administration of prisons, criminal justice, the law and corrective arrangements related to young offenders, and criminal injuries and damage compensation. I aim to reduce these to 458 by 1 April 1984, calculated on the same basis as (a) above.

With regard to both (a) and (b), as Sir Derek Rayner knows, I am proposing in my review of functions and efficiency to consider specifically the present distribution of functions and staff as between London and Belfast and between the NIO and the Northern Ireland Departments. I and my Ministerial colleagues and the Permanent Secretary operate in each location but other staff are based in London or Belfast and there is inevitably a problem of co-ordination between them. I envisage a shift to Belfast rather than vice versa. A similar problem of co-ordination exists as between the NIO itself and the Northern Ireland Departments: this boundary must change on account of my taking a tighter control of public expenditure in the Province and it may need to change again according to how our proposals develop to transfer responsibilities to locally elected representatives.

c) Royal Ulster Constabulary. 11,232 policemen (full-time and reserve) at 1 April 1980. Following the events of last autumn (the murder of 18 soldiers at Warrenpoint), and with 21 policemen having been murdered since the beginning of 1979 I am increasing the size of the full-time RUC from 6,500 to 7,500, with the Prime Minister's approval. Recruitment to the RUC Reserve is proceeding to meet operational needs within financial limits.

d) Prison Service. The total staff in the NI Prison Service at 1 April 1980 was 2,390 Prison Officers and 121 civilian staff working in prisons. Prison accommodation is being expanded to meet local needs: the number of prisoners in Northern Ireland per head of population is three times that in England and Wales. Seventy-five per cent of prisoners are in the high-risk category serving sentences for terrorist offences, while a similarly high proportion of those in custody awaiting trial are charged with such offences. Eleven Prison Officers have been murdered since the beginning of last year.

MANAGEMENT—IN CONFIDENCE

I propose no cut in staff numbers to match the Civil Service reduction but will look to a 4% increase in efficiency to achieve reductions of that size in money and/or manpower by 1 April 1984.

e) The Probation Service: 202 Probation Officers and support staff at 1 April 1980. The task of rehabilitating and resettling (if we can) a large and growing number of released prisoners is an essential support for the maintenance of law and order. I am planning to increase the Probation Service by some 114 over the period to 1984. To reduce the planned activities of the Service must affect the work of the courts and reduce alternatives to custodial sentences; but I propose to cut the financial provisions for the next three years, with the same aim of improved efficiency as for the Prison Service.

f) NICS employed by the Director of Public Prosecutions. (130 staff) and the Crown Solicitor (88 staff) play an obviously critical role in law and order. The Forensic Science Laboratory (135 staff) serves the police in producing evidence for the courts. My aim in these areas would be as for Prison and Probation Service.

g) Civilian Search Unit in Belfast City Centre. I have already cut the CSU by 126, to its present strength of 327 at 1 April 1980. This is the minimum for carrying out essential security tasks which otherwise would have to be done by the Police. I propose to seek no further reduction unless and until security considerations suggest otherwise.

h) Police Authority. The Authority is independent and my influence on it is indirect. I propose to ask the Police Authority, in response to my necessarily restricting their financial resources, to ensure that the civilian back-up to the RUC is kept to a minimum level, and preferably below their existing planned levels; but to leave it to them to determine (as is their statutory function) where is the greater priority as between personnel and other priorities. 1,739 staff work in Police Stations, supporting the police in their primary duties. The Authority plan to increase this element of its staff to 2,091 by 1 April 1984 to match the planned increase in the RUC. The balance of Police Authority staff work in their Headquarters: their number (206) is expected to remain virtually unchanged but they will have to cope with the rapid growth in the numbers, accommodation, services and equipment of the RUC.

Northern Ireland Departments

i) 19,400 NICS staff (at 1 April 1980) carry out functions which fall to the UKCS in Great Britain. A reduction matching that in the UKCS by 1 April 1984 would mean a reduction of about 1,500 posts (8%)

I am asking Departments to submit proposals for staff cuts of over 8% from which I can take preliminary decisions. Although there are some areas where I can take unilateral action, the eventual reductions will depend in large measure on decisions about functions in the equivalent GB Departments, so that the Northern Ireland Civil Service could be reduced by more or less than 8%.

MANAGEMENT—IN CONFIDENCE

j) 8,400 NICS staff (at 1 April 1980) are employed on services performed in Great Britain by local authorities or statutory bodies - mainly roads, water, planning and rating services. The Government is tightening its oversight of these services in Great Britain but it cannot directly control numbers. I can control numbers but cannot, politically, reduce services to below what is being sustained in GB. I shall approach this area, therefore, in terms of reductions in costs to match what is achieved nationally in Great Britain and, in any case, with substantial reductions in numbers.

I cannot, for the reasons given, at this stage calculate a provisional figure of the total savings of staff under my charge which I hope to make by April 1984. Where I have specified targets, whether of manpower or money, I will as far as possible make proportionate savings in 1981/2 so as to keep up the impetus towards the 1984 targets; and I shall aim to make proportionate savings in senior posts.

I shall consult the staff and unions about my proposals as soon as possible, when I am a little clearer on details.

I am sending copies of this letter to the Prime Minister, the Lord Chancellor, the Home Secretary, the Chancellor of the Exchequer and the Defence Secretary; and to Sir Robert Armstrong and Sir Derek Rayner.

Yours ever

Rumpley

10 9 8 7 6 5 4 3 2 1 12

27 JUL 1960



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HS

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

Prime Minister

*This report on potential
Defence manpower savings
is not very promising*

4th July 1980

MO 2/2/6

*MAP
4/11*

ms

Dear Christopher

CIVIL SERVICE EFFICIENCY AND MANPOWER

I am sorry to be a little beyond your deadline in replying to your letter of 4th June.

*to HS
LTM
A3.*

Following the Cabinet's conclusion in May I have discussed very fully in the Defence Council the need for Civil Service manpower cuts in this Department, and the means of securing them. To implement the programme which the Council has agreed, I have set up a small steering group which I am chairing myself, with help from Barney Hayhoe, and with my most senior advisers, military and civilian, including my Principal Establishment Officer, as members. This group will be overseeing progress on a whole range of studies in search of ways of economising on manpower.

This further work will include the follow-up to the Dockyard, R & D and Supply Management studies, which officials are currently discussing. In addition, my group and I are looking at simplifying functions and streamlining procedures in areas such as procurement processes, stocktaking and inspection and audit. We are also looking at the scope for cutting manpower levels needed for essential functions, for example by eliminating levels of work and by exploiting new technology in typing and registry service.

Measures on these lines will not, however, be sufficient to find savings on the scale needed. We must look critically at whether particular functions have to be performed in government

The Rt Hon The Lord Soames GCMG GCVO CH CBE



// at all or might be put out to contract or the status of the organisation concerned changed so that the staff ceased to be civil servants. Initial lists of possibilities in these two areas are attached at Annexes A and B. These are elements of our work which must go on in one way or another and costs will be an important consideration in deciding whether they can best be performed outside government.

I am determined to reach the necessary savings target. As to what this should be precisely, you will know that our officials have as yet failed to reach agreement. I suggest they should continue to discuss this against the consideration that the Ministry of Defence's share must reflect the Government's intention to continue to accord defence priority. I cannot agree, because other Departments are taking less, to make more cuts than would be justified by my share of total numbers (and my Staff Side, quite understandably feel very strongly indeed about this).

I am sending copies of this letter to the Prime Minister; and to Sir Derek Rayner and Sir Robert Armstrong.

James Pym

John Pym

Francis Pym

POSSIBLE SOURCES OF FURTHER MANPOWER SAVINGSBY PUTTING WORK OUT TO CONTRACT

1. Naval Petrol, Oil and Lubricants (POL) Depots. As a follow-on to the Supply Management Study, the possibility of contracting out the management of Naval POL Depots is to be further examined.
2. Cataloguing. A recent Management Services report has recommended contracting out the bulk of Defence and Army cataloguing work. Detailed study has yet to be completed but this, together with some other changes, could lead to savings of up to 200 staff.
3. Repair Functions. The possibility of contracting out more repair work to industry, particularly in the areas of B vehicles and aircraft and Guided Weapons is being further examined.
4. Higher Education. Annex B suggests possible research institute solutions for certain establishments providing higher education for the Services. Alternatively, the possibility of 'contracting out' the provision of this education to universities and other institutions could be studied.
5. Care and Maintenance of Airfields

POSSIBILITY OF CHANGES OF STATUS

1. This Annex considers the possibility of changing the status of certain MOD functions, through privatisation, through nationalised industry status or by creating a research institute or other non-departmental body. These changes of status share the characteristic that the staff concerned would no longer count as civil servants (and would not be subject to Civil Service rules for pay, grading, conditions of service, etc). This Annex is not a comprehensive discussion of the possibility of increased use of agency arrangements such as those currently in use at the fuse factory run by EMI at Hayes and HMS Vulcan at Dounreay, operated by Rolls Royce and Associates Limited.

Privatisation

2. Apart from the National Gas Turbine Establishment, counted as part of the possible savings from the R&D study, the likeliest possibility for privatisation is the Royal Ordnance Factories in whole or in part.
3. A more difficult option would be to consider transferring the Royal Fleet Auxiliary to a competent private sector shipping line (manpower 3,200) or alternatively to establish it as a mini-nationalised industry.

Nationalised Industry

4. Apart from the Propellants Explosives and Rocket Motor Establishment, included in the R & D study, and the possibilities discussed in the previous section, other candidates which have been mooted are:

- a. The Dockyards (manpower 32,000) - the Dockyard Report rejected nationalised industry status for the Dockyards.
- b. Defence Sales Organisation (manpower 340). The transfer of part of the Defence Sales function with 20 staff to IMS Ltd is already under consideration. More radical approaches are now being considered.

Research Institute or Other Non-Departmental Body

5. The possibility of giving some organisations the

status of a research institute or some other type of non-departmental body might be considered, particularly where they carry out a significant proportion of their work on repayment for other customers, or carry out a basic research function or have some kind of independent quality assurance or certification function. The following might be considered:

- a. The Meteorological Office (manpower 3,150).
 - b. Hydrographer (manpower 1,100).
 - c. R & D Establishments which might be held to satisfy some of the above criteria are:
 - (i) Royal Aircraft Establishment (6,600), Royal Signals and Radar Establishment (2,400), Admiralty Marine Technology Establishment (1,700), where in each case sizeable elements of work are either research or carried out for non-MOD organisations.
 - (ii) Aeroplane and Armament Experimental Establishment (1,700) and the Proof and Experimental Establishment (1,600).
 - d. The Defence Operational Analysis Establishment (DOAE) (200) might be considered for this treatment (even though the MOD would virtually be its sole customer). Independent 'think tanks' of this kind are common in the United States and there is no difficulty about securing their access to classified information (eg the RAND Corporation).
 - e. By something of the same analogy as DOAE, the design element of the Ship Department might be considered for research institute status, carrying out the MOD's ship design work on a repayment basis; alternatively the scope for adjusting functions between MOD and British Shipbuilders might be looked at.
6. Other possibilities for non-departmental status are:
- a. The British Forces Broadcasting Service (200). The possibility of transferring this activity to the Services Kinema Corporation is already under examination.

b. The Royal Hospital Chelsea (220) could be made an independent charity funded as necessary by MOD grant in aid.

c. The Royal College of Defence Studies (21), the National Defence College (85), the Royal Military College of Science, Shrivenham (740) and the Royal Naval Engineering College, Manadon (349) might be considered for the status of independent academic institutions funded either by grant in aid or preferably by fees.

d. Officially Supported Service Museums.

e. Defence Research Information Centre.

14 JUL 1967





✓
 7/1/80
 2 MARSHAM STREET
 LONDON SW1P 3EB

My ref: H/PSO/14573/80

Your ref:

4 July 1980

De Chantelle

CIVIL SERVICE EFFICIENCY AND MANPOWER

In your letter of 4 June to Willie Whitelaw you asked Ministers in charge of Departments for an outline of their plans for reviewing functions and efficiency together with their provisional view of the further reductions they would propose up to April 1984.

You and Paul Channon are already aware of the steps I have taken to review functions and efficiency, namely my MINIS exercise. I am on target towards completing the first round of this by the Summer Recess although a little more time will be needed thereafter to consider detailed action documents. I shall of course keep you in touch with progress.

It is still too early to be precise about the total of further savings I expect to make above those to which I am already committed. I can, however, give you an assurance that over DOE as a whole (ie Central DOE and PSA) I plan to contribute at least the minimum 8% further saving on the 1 April 1980 SIP figure to which you refer in your letter. I am well on course to secure savings of the order of those you announced last December under the "option cuts" exercise. Indeed, I shall, I hope, make them before the target date of 1 April 1983. My officials will let yours have details of the projected SIP levels over the next three years.

I ought to say a word about the Ordnance Survey on which, as you will remember, I reserved my position while at the same time undertook to ensure that if following consideration of the Serpell report savings there fall short of the 10% "option cuts" total compensating savings would be found elsewhere in my Department.

The outcome on the Serpell report will of course be a matter for collective Ministerial decision and while my undertaking about the 10% savings stands, you will recognise that if substantial numbers have to be saved in DOE as a result this is bound to have an influence on the scope for going beyond the 8% further savings you are now seeking.

I am sending a copy of this letter to the Prime Minister, Sir Derek Rayner and Sir Robert Armstrong.

*you can
 all*

MICHAEL HESELTINE

The Lord President of the Council

E17, JUL 1980



IME MINISTER

Here is a note from Sir Derek Rayner about your dinner with him next Tuesday.

The paper in this folder is about his proposal for a "Inspector General". He also mentions that there are two other topics he wants to raise with you, which are the future course and duration of his assignment, and the subject of leadership in Whitehall.

In respect of the first of these, there is background of which you might like to be aware. You know from your conversation last week with Marcus Sieff that Marks & Spencer are having difficulties at present, in common with most retail businesses. This means that Sir Derek is now under even greater pressure than usual in relation to his full-time responsibilities as joint Managing Director - as you know, he tends to act as the bridge between the two families in the business. I think that his colleagues are beginning to find it convenient, on occasions, to comment that his Whitehall responsibilities sometimes intervene at inconvenient moments.

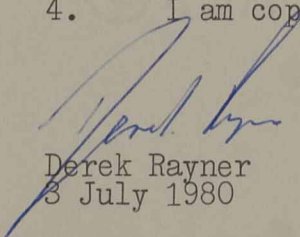
At this end Sir Derek is actually devoting very much more than anybody else's idea of "one day" a week to his Whitehall work. Mr Priestley tells me that he is using a great deal of any private time that he might have to keep up with Whitehall papers and prepare himself for meetings. The strain of reconciling these two responsibilities may now be more evident than in your previous meetings with Sir Derek.

3 July, 1980

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

1. I look forward to receiving you, Mr Thatcher and Sir Robert Armstrong next Tuesday evening.
2. Apart from anything you want to raise with me, I should be glad if I might talk frankly about
 - a. the future course and duration of my assignment;
 - b. leadership in Whitehall; and
 - c. my ideas on the "Inspector-General" recommendation in my minute to you on 26 March on "lasting reforms".
3. I attach a first note on the "Inspector-General" as a background to some of the above. I have discussed it with Sir Robert Armstrong, but not with Sir Ian Bancroft or Sir Douglas Wass. It can be worked up in the light of our talk if you approve of it in principle.
4. I am copying this to Sir Robert Armstrong.


Derek Rayner
3 July 1980

INSPECTOR-GENERAL OF THE CIVIL SERVICE

Note by Sir Derek Rayner

Background

1. In my minute of 26 March I suggested that the "function of the centre of any organisation must include the design and testing of systems of control and management in respect of money, manpower, personnel and assets and operations" (para. 16c).

2. I went on to recommend that the mechanisms of control and testing would best be provided by organisational arrangements including an "Inspector-General of the Civil Service" reporting direct to the Prime Minister and the merger of the relevant parts of the Treasury and CSD (para. 17).

3. The purpose of this note is to propose what the functions of this officer should be and to comment on where he might be sited in the machinery of government.

General

4. A new office of Inspector-General is needed to free the Government and the Service from the need to bring in people like me at fairly regularly intervals. Both the Government and the Service should be capable of such constructive self-criticism, conducted as far as possible in the light of the public gaze, as to show that they have an adequate quality assurance and have made suitable preparation for the future.

5. The word "inspector" implies inquiry, assessment and examination. Some is necessary, for the good health of the Service and for the satisfaction of the public. I would not however assign the functions of assessment and examination here considered to a body other than the Government itself.

6. I am not in favour of something like Mr Chapman's "New Audit Department", with its strongly inquisitorial overtones, for three reasons:

a. I am here concerned solely with the Executive's role of policing itself, not with the audit role of the Legislature.

b. Although the formal disciplines of examination have value, and there is scope for a very considerable development of the audit function, both at the centre and in departments, I regard the main task of the I-G as assisting Ministers and their Departments, ie one of promoting quality assurance, not prosecution.

c. I make the critically important assumption that the Service is capable of excellence and is, in part, excellent in the use of resources. The I-G would not therefore sit on an island of good thinking surrounded by a sea of incompetence. Instead, at least some of his work would consist of making sure that he and the Service had learnt from good practice of departments.

Functions

7. I regard the I-G's functions as relating to the following:

- a. The strength and reliability of systems for the planning, allocation and use of money and manpower, including the organisation of departments;
- b. the most cost-effective use of manpower at all levels;
- c. the most cost-effective use of technology in support of or substitution for manpower;
- d. the performance of all elements of the Service, generalist and specialist alike;
- e. the developments in or affecting the Service, eg industrial relations;
- f. monitoring the response to complaints made against the Service or by Civil Servants themselves and suggestions made similarly;
- g. the general lessons for efficiency, eg in the use of manpower, to be derived from reports of the Comptroller and Auditor General, the proceedings of the Public Accounts Committee and the reports of the Parliamentary Commissioner for Administration; and
- h. representing the Service, insofar as it requires representation by a senior official at the centre in addition to the representation provided by the Prime Minister, or the Ministers and Permanent Secretaries.

8. Creating new or changing the titles of existing senior officials will effect no changes in itself. It is therefore important, in my view, to express the functions of the I-G in terms of first, personality and, secondly, a policy one of whose requirements should be that he should report annually on the progress made by the Service, under Ministers, towards achieving the policy in practice.

Personality

9. I have a firm conviction that the post of Inspector-General should be filled, not by a Permanent Secretary of older years, but by a younger officer. This should be someone of drive and determination, prepared to be tough when necessary, but still seen as the friend and counsellor of the Permanent Heads of Departments. He should delegate much of the work which at present appears to occupy the Permanent Secretary of the CSD and devote most of his time to the issues which call for leadership and block-busting. He should occupy the post for not less than 5 years.

Policy

10. If the I-G were appointed later this year, I would envisage his first commission or warrant from the Prime Minister somewhat in the terms set out below. It can and should be made much more specific so as to produce a detailed programme for monitoring by her; it requires that the I-G should have authority to procure management information from departments which enabled him to make judgments about their performance.

"You are to assist Ministers and Departments to carry into effect the agreed results of the reviews

of departmental manpower and costs, so as to bring the size of the Civil Service down to 630,000 by 1 April 1984. In this, you are to pay particular attention to laying a sound basis for the optimum use of manpower and the continuing reform of operations and administration and to the contribution to be made to this work by the scrutiny programme and by such other co-operative means as management review.

You will be responsible for carrying into effect such "lasting reforms" as lie wholly in the power of central Ministers and for assisting the Cabinet or individual Ministers to give effect to those which do not. [Details to be specified, with a timetable.]

You are to concern yourself generally with the quality of work done by the Civil Service and with [such matters as those specified in para. 7 above]. You should in general lead and assist developments in cost-consciousness and the care of assets. You are to undertake development work and inquiries, either on your own or in collaboration with departments. In the latter case, Cabinet has agreed that departmental Ministers will grant you access to and provide you with assistance from their Departments. You should so develop your knowledge and understanding of

departmental operations as to enable you to assess departmental effectiveness. You are in any case to visit each departmental Minister annually, to receive comments or guidance from him and to give him your impressions of the strengths and weaknesses of his Department.

You are to take personal responsibility for the scrutiny and management review programme at official level and for laying before Ministers annually a statement and appraisal of the cost of administration.

You should be prepared both to recommend and undertake special studies or assignments on behalf of Cabinet as a whole, as well as being available to advise departmental Ministers, whether on a confidential basis or otherwise, on aspects of their departmental operations, organisation and staffing.

You are both to advise and guide and to seek the advice and guidance of Permanent Secretary Heads of Department in all the above.

You should annually agree your plan of work with me and should report its outcome to me, again in a form suitable for publication."

Complaints and suggestions (7f above)

11. It was put to me last year by a serving Civil Servant that a new office was required to examine, on a

somewhat similar footing to that of the Parliamentary Commissioner, complaints of efficiency and waste made by and the reasonable grievances of public sector workers.

12. My correspondent's suggestion was that the new officer, whom he called the "Crown Invigilator", should be a judge, with the status and authority of a member of the High Court; his small staff should be led by two lawyers; he should have the power to summon witnesses and call for papers; he should have the right to initiate inquiries himself; and his remit should cover all public services, not just the Civil Service.

13. I have reservations about this. My interest here is solely in the Civil Service. I would be very hesitant about involving the law. I do not want a charter for crackpots. And, whatever merits the idea might have in some quarters, I would very much want the emphasis to be on suggestions rather than complaints.

14. I acknowledge that there can be a fine boundary between complaints and suggestions. I know that the Service operates a staff suggestions scheme. But I have had a continuing flow of letters from serving and retired Civil

Servants containing useful ideas and good leads. This and the enthusiasm of people whom I have met in local offices both suggest that the inertia of the large organisation requires a countervailing force within it to encourage ideas which might otherwise be stifled and provide an appeal route for staff who believe themselves unfairly treated and without resort in their own department. (This overlaps somewhat with the recommendation in my minute of 26 March that Civil Servants should be enabled to give of their best.) I should like to see staff encouraged to use the office of the I-G and him given access to departments to follow up points put to him when necessary.

Resources and location of the Inspector-General


15. The resources available to and the siting of the I-G can be visualised in several different ways. I suggest two for consideration.

16. First, he could be regarded as occupying a new Permanent Secretary or Second Secretary post outside the Treasury/CSD, paid for by abolishing such a post elsewhere. His main resource would be his warrant from and access to the Prime Minister but this would be no good on its own unless

- a. he was someone likely to command the respect of Ministers and Permanent Secretaries; and
- b. his staff were similarly well equipped.

17. If the I-G were outside the Treasury/CSD - for example, in the Cabinet Office but not of it - he would be more obviously independent and inspectorial in function than if he were an officer from the Treasury/CSD. His staff would have to be of the highest calibre but few in number, up to 10. They should include officers experienced in Principal Finance and Establishment Officer duties and officers with experience of management and new technology. He would have the right to draw upon Treasury/CSD and departmental staff, by agreement in the case of the latter.

18. Another course would locate the I-G within the Treasury/CSD, perhaps occupying what is now the Second Secretary slot in CSD. That would give him a substantial staff, including the Groups controlling Manpower and Computers and dealing with Management & Organisation and Functions & Programmes. He might also have under command or draw upon relevant parts of the Public Services Sector in the Treasury. Under this option, the I-G is much less obviously independent and inspectorial than under that in paras. 16 and 17. It would perhaps give him a role more immediately recognisable to the Service, but that has disadvantages as well as advantages.


Derek Rayner
3 July 1980

CONFIDENTIAL *Civil Service* *MAP*

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB



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

3 JUL 1980

John Chusker

CIVIL SERVICE EFFICIENCY AND MANPOWER

In your letter of 4 June to Willie Whitelaw you asked Ministers in charge of Departments for an outline of their plans for reviewing functions and efficiency in their Departments together with their provisional view of the further reductions in manpower they would propose up to April 1984.

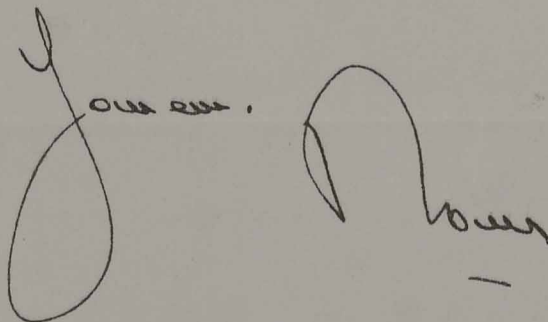
As you know, I have been in the van in the manpower reductions exercise so far. In addition to making a volume squeeze of 4% in 1979/80 and one of 2½% this year, I have undertaken as part of the "option cuts exercise" the results of which you announced on 6 December last, to secure further savings of 18% in my Department's staff costs (some 2,484 posts). That entails the transfer of functions, e.g. the Heavy Goods Vehicle testing work and some of the Vehicle Licensing work right outside the Department and efficiency savings within. This transfer of work has to be the pattern because apart from a very small Headquarters policy staff of only a few hundreds, most of the Department's staff are engaged on executive functions which are statutorily based and for the most part are demand led.

CONFIDENTIAL

CONFIDENTIAL

I am exploring possibilities for greater efficiency and simplification, for example the Rayner scrutiny on vehicle licensing enforcement and I am also considering introducing a manpower budgeting system based on the Management Review of the Department last year. I doubt very much, however, that these steps will produce further savings of the order of 8% on top of those to which I am already committed. For savings of that order further work will have to be stopped. The sorts of areas which I have to examine are a tax on possession rather than use of a motor vehicle so as to reduce enforcement effort, putting further vehicle licensing work to post offices and changes in the approved Driving Instructors' scheme. I am considering all these and others. My officials will keep in touch with yours as things progress. I must, however, reserve judgement for the moment on the precise target for further savings by April 1984.

I am sending a copy of this letter to the Prime Minister, Sir Derek Rayner and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', written in a cursive style. The signature is positioned above the printed name.

NORMAN FOWLER

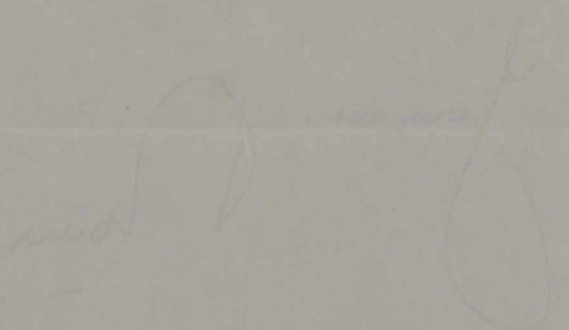
CONFIDENTIAL

3 JUL 1960

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I am exploring possibilities for greater efficiency and simplification for example the current activity on vehicle licensing information and I am also considering introducing a new budgetary system based on the management review of the Department last year. I found very many things that these steps will produce further savings of the order of 25 per cent of those to which I already committed. For many of the most important items will have to be stopped. The items of which I have to examine are a tax on possession rather than use of a motor vehicle as in the case of motor cars, and a new system of vehicle licensing which will be simpler and easier to administer. I am also considering all these and others. What I will keep in mind is that any new system must be simple, clear, and easy to understand for the moment on the question of further savings will be made.

I am sending a copy of this letter to the Prime Minister, Sir David James and Sir Robert Maclean.



NORMAN FOWLER

CONFIDENTIAL

Y SWYDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



Oddi wrth Ysgrifennydd Gwladol Cymru The Rt Hon Nicholas Edwards MP

WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

*MAJ
Civil Service*

CONFIDENTIAL

2 July 1980

De Christopher

CIVIL SERVICE EFFICIENCY AND MANPOWER

In your letter of 4 June you asked Ministers in charge of departments to let you have an outline of their plans for reviewing functions and efficiency, with a provisional view of the reductions which they would propose over the period to April 1984.

This work, which is under my personal direction here, falls into several parts. Firstly, I am undertaking a detailed review of our proposals for complying with the reduced cash limits for staffing applicable to 1980-81. In the course of this I shall be looking at the work of each Division in the Welsh Office and seeking to establish a detailed view of priorities at this level. Secondly, this will then give me a basis for reviewing the programme for future years with the Permanent Secretary, senior line managers and the Principal Establishment Officer. I have taken note of your suggestion about assigning a specific official to take charge of the work and have already commissioned one very able individual to undertake a short-term exercise for me. Once the results of this exercise are available I shall use it as the foundation for a detailed review of the work of the Welsh Office. I shall take charge of this work myself, with assistance from my Permanent Secretary and senior officials.

/When I

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



When I wrote to you last year about our contribution to the options cuts exercise, I pointed out that in very many areas the Welsh Office is necessarily committed to applying and adopting in respect of Wales initiatives taken on an England and Wales or Great Britain basis. This makes it virtually impossible to form a view as to the kind of staffing reductions which I can contemplate until I know what colleagues are planning to do. It also follows that it is difficult for me to think in terms of reductions which on a proportionate basis exceed those that they are contemplating, - if indeed I can go even as far as they. For example, the Welsh Office obviously cannot match reductions in research establishments proposed by our corresponding Whitehall departments if we have no such establishments ourselves but equally it is not feasible for us as an alternative to find such reductions from non-research activities not being cut in those Whitehall departments.

From the start the Welsh Office has been positive and forthcoming in our contribution to the various cuts exercises of the past 14 months - more so, if I may say so, than some other departments. Thus our original 1979-80 Supply Estimates made provision for 2,697 staff, and by 1982-83 we shall be down to some 2,318, a total reduction of about 14%. I note that overall, in the Civil Service, the reduction being sought from 732,000 staff to 630,000 also represents about 14%, which indicates, to put it mildly, that the Welsh Office has already made a very adequate contribution.

On this basis I have concluded that the most I can do, at any rate until I have made progress with the examination I am making and have seen what colleagues are proposing, is to offer a further reduction in 1983/84 below the level of 2,318 staff which I have accepted for 1982/83. This would produce a total for 1 April 1984 of 2,290 staff. At this level I would seek to absorb the inescapable extra commitments which my officials have reported to yours, amounting possibly to some 30 staff in respect of the beef suckler cow premium scheme and various provisions of the Housing Bill and of the Education Act 1980; and I would also seek to absorb up to 20 additional security guard posts which we shall require for our new headquarters building in Cardiff. If we deduct the provision associated with these new requirements, therefore, the staffing level I am suggesting becomes less than 2,250 which represents a reduction of about 17% on our original 1979-80 provision.

/This would



This would in my view represent a very big contribution from a small multi-functional department such as the Welsh Office.

/ Copies go to the recipients of your letter.

J. am
Neil

2 - JUL 1980



2 PPS ✓MAP

WYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

2 ~~June~~ ^{July} 1980

De Paul

INDUSTRIAL SPONSORSHIP

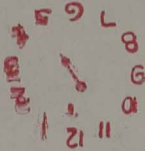
You wrote to Keith Joseph on 9 June about the general review you are putting in hand into industrial sponsorship in its widest sense. In view of my responsibilities in the industrial field in Wales I have a major interest in this review, and I understand that your officials have already approached mine for the basic information for incorporation in the paper you are preparing.

You will, of course, appreciate that my own Industry Department - as a part of the Welsh Office - is involved in policy questions. This distinguishes the Department quite markedly from the regional offices of the Department of Industry.

Naturally, I shall co-operate fully in the review but I should like to sound a note of warning that we should be very careful not to go too far. I know my own Industry Department very well indeed, and there would have to be very fundamental changes in their role for there to be any significant savings in staff. Indeed the Department has already been subjected to a thorough-going review in connection with our own staff reductions exercises.

/I should

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



1961 Jul - 2

I should also add that during my close and frequent contact with industry and industrialists in Wales I have had no complaints whatsoever about there being too much "sponsorship" by my Industry Department. Indeed, what has impressed me is the way that industry in Wales positively welcomes the interest taken by my officials in their problems and in the advice and guidance which is offered. If there were to be any major changes in this relationship it would, I am sure, be badly received by industry in Wales - especially at the present difficult time.

What I am really saying is that whilst we need to review the situation we must be very careful not to "throw the baby out with the bathwater".

I am copying this letter to the recipients of yours.

This is a polite way of saying that we are being overruled by the delay in U.K. and long lead time offers in the industrial field, etc. less!

John Evans

Neck

CAW
oro

cc for information

Mr HOSKYNs

✓ Mr. Whitmore
Sir Derek Rayner

HW
/in

refs with J.H.

CIVIL SERVICE REFORM

1. Many thanks for your note of 26 June and for subsequently letting me have a copy of Lord Crowther-Hunt's letter to you of 25 June.

2. Although the Policy Unit does not have the Civil Service as one of its "main preoccupations" (to quote his Lordship), you have no doubt got some interesting impressions of and ideas on it. I am sure that it would be well worth our finding out what they are.

3. In the hope that it will be agreeable to you, I am asking Miss Sullivan here to try and find a time for you and Mr Strauss (if you wish) to have a session with Mr Allen and me (or just me, if you would prefer).

CP

C PRIESTLEY
30 June 1980

1 - JUL 1960

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Civil
Service

30 June 1980

The Prime Minister has seen the Lord President's minute of 27 June 1980 about the report in Thursday's Times of the conversation between John Hoskyns and Mr. Kellner.

She agrees that if Sir Ian Bancroft is questioned about the article when he appears before the Select Committee on the Treasury and Civil Service later this week he should reply on the lines proposed by the Lord President in the second paragraph of his letter.

G. A. WHITMORE

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



Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1

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

30 June 1980

Dear Michael

DEPARTMENTAL MANAGEMENT SYSTEMS

I was most grateful to you for giving me and my officials the opportunity of attending your meeting on 16 June for the discussion on the material dealing with your Housing Directorates. I was sorry that I was not able to stay for the whole meeting. But I have had a report from my officials later. It was clear, however, that the occasion and the material provided for it gave an opportunity for you to discuss the organisation and management of the Directorates with those responsible for them in a more detailed way than I have ever seen before.

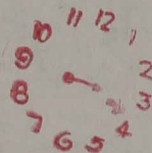
Obviously different departmental Ministers will approach this differently. But all Ministers need to establish a clear picture of the work which their Departments are doing, the resources consumed and the scope for making economies in those resources, and the best way of organising work to carry forward their policies. I suspect that a number of our colleagues will not need to have as extensive information as your particular system provides, particularly once they have familiarised themselves with their Department's organisation and management the first time round. But every Minister will or should want to be satisfied about the management systems of his Department.

I think the best way to carry this forward is as part of the work on the management of departments which Derek Rayner (to whom I am copying this letter) has launched in his "lasting reforms" exercise on which the first reports are due in October. His studies will obviously draw on the arrangements which you have introduced, along with other systems elsewhere (as well as on work which has been done by my own Department).

I am also copying this letter to the Prime Minister.

Yours,
Pal

30 JUN 1981





Prime Minister.

Agree I should confirm X/ this?

AMW
27/6

Yes

PRIME MINISTER

You will not be surprised that I was distressed to read the piece by Peter Hennessy in yesterday's Times which reported a talk between John Hoskyns and Mr Kellner.

I did not expect that John Hoskyns would be speaking with your blessing and I was relieved to have this confirmed yesterday by your office. As you know, Sir Ian Bancroft will be appearing before the Select Committee on the Treasury and Civil Service next Wednesday. The subject on which he is to be examined is the role and powers of the Civil Service Department. In preparing himself for this he will have to equip himself to answer possible questions about the Hennessy article. I have spoken to him about this. He proposes to answer questions on the general lines that it is his understanding that any approach that might have been made to Mr Kellner was made without your knowledge or authority. Is this correct?

X

Yes not.

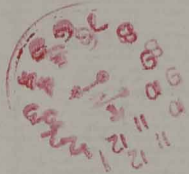
Nevertheless, this sort of thing is very damaging. Though no doubt there is plenty of room for improvement, the Civil Service is seeing itself being pressed simultaneously on size, efficiency, pay, pensions and being generally castigated. Morale is obviously suffering and be it true or false this sort of article does nothing but harm. I have spoken to John Hoskyns.

ms

S

SOAMES

27 June 1980



27 JUN 1988
21 JUN 1988

x

Miss Gwynne. 27

To see this and the memo below -

PRIME MINISTER

MW

1/11

You have agreed that you and Mr. Thatcher should have dinner with Sir Derek Rayner at his house on Tuesday, 8 July.

When I first raised this with you the plan was that the three of you should dine alone. Sir Derek Rayner, whose main concern is that the occasion should prove as useful as possible to you, has asked whether you would find it helpful to have Sir Robert Armstrong at the dinner: some of the matters which he wishes to discuss with you - eg the role of the CSD and its future relationship to the Treasury - are subjects with which Sir Robert Armstrong is directly involved. In any case he proposes to go over some of the ground with Sir Robert Armstrong before the dinner party. Would you like him to invite Sir Robert Armstrong?

Yes

mt.

MW.

JUNE
27 July 1980

Talk to Mr. Penning.

MW

2/11

Dinner arranged for dinner @ Detective at Sir Derek's House.

26 June 1980

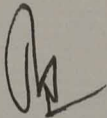
Prime Minister.

MR SANDERS

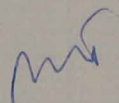
PETER KELLNER

I think you should see this.
I understand how some is almost certain to write to you protesting about the harm that is done to Civil Service morale if it becomes known, so it has in this case, that the Policy Unit are so critical of the Civil Service.
HKL
26/6

1. Norman Strauss and I had lunch with Crowther-Hunt and Kellner on Wednesday, 11 June, to talk about Civil Service reform.* On 16 June, Crowther-Hunt wrote to me and I copied the letter, together with a covering note, to the Prime Minister on 18 June (copies attached).
2. Following the lunch Norman and I discussed whether someone like Kellner, with his journalistic training in the business world (important for much of the work we do) and his experience working with Crowther-Hunt, could be useful to the Policy Unit.
3. I suggested that Norman talked to Kellner to see whether such a possibility was of interest. Norman rang Kellner who invited him to lunch.
4. Over lunch (for which Kellner paid) he made it clear to Norman that he was a strong and active Labour supporter, strongly anti Tory policies. There was obviously therefore no point in discussing the matter further.
5. There was never any question of "offering" a job to Kellner. No terms and conditions were mentioned. I had not even discussed the matter with the Prime Minister, and therefore had no authority to make any offer. Nor was my principal interest in him related to Civil Service reform - anyone joining a small team like the Policy Unit would have to be much less specialised than that. The whole thing was a matter of tentative and private exploration.



JOHN HOSKYNs



* Following the publication of their book.



16th June, 1980.

John Hoskyns, Esq.,
10 Downing Street,
LONDON

Dear Mr. Hoskyns,

I greatly enjoyed that stimulating lunch last week with Norman Strauss and yourself. Very many thanks. I am writing now, as promised, with further reflections on the Civil Service Department problem.

There is no doubt that the Civil Service Department has been a bitter disappointment right from the time it was set up. It has lacked "clout" and professionalism - largely because the top level officials in the Department have never been up to the job. Fulton saw the new Department as the battering ram of radical change throughout the Service. But to achieve that we stressed that the new Department must not simply be a hiving off of the old Pay and Management side of the Treasury. We also stressed that new people from outside the Service should be brought in at top levels in the new Department. Alas, these last two recommendations were completely disregarded. Since then the Civil Service Department has gone from bad to worse.

Still, if you want to achieve radical Civil Service reform (and I am delighted to know that you do) this can, in my view, only be achieved through the Civil Service Department. It goes without saying, however, that the Department itself must first be radically reformed. It needs at the head of it a powerful Cabinet Minister who can devote most of his time to Civil Service reform - and this means that he must be able to command both principles and detail, otherwise he will in the end be outwitted by the mandarins. The Minister will also need his own "Cabinet" of about 6-10 individuals. The "Cabinet" should be headed by someone like Sir Derek Raynor (but preferably on a full-time basis) - and the other members of the "Cabinet" should be a mixture of appropriate senior people outside the Service together with some younger members of the Service who themselves are dedicated to radical reform. In total composition the "Cabinet" should add up to a multi-disciplinary team, e.g. including appropriately experienced scientists. A "Cabinet" on these lines servicing a powerful Minister would be able to produce both radical change in the Civil Service Department itself and then through the Civil Service as a whole.

/over



John Hoskyns, Esq., (Contd)

- 2 -

If the maintenance of the Civil Service Department, as suggested above, is not acceptable, a possible alternative would be to integrate the existing C.S.D. with the Cabinet Office. Amalgamated in this way, the C.S.D. part of the Cabinet Office would still need a powerful Minister to run it — together with a "Cabinet" along the lines suggested above. The new Cabinet Office with the new C.S.D. incorporated within it could then become a very powerful Prime Minister's department — which is just the sort of backing a thrusting Prime Minister needs. What would be fatal, though, to the hopes of radical Civil Service reform would be to merge the present Civil Service Department back into the Treasury from whence it came.

If you would like me to elaborate any of the above assertions I am, of course, very much at your service. In any event all strength to your elbow.

Yours sincerely,

Norman Crowther-Hunt.

The Lord Crowther-Hunt.

18 June 1980

PRIME MINISTER

CIVIL SERVICE REFORM

Norman and I had lunch with Lord Crowther-Hunt and Peter Kellner, authors of the recent book on the Civil Service.

I thought you might be interested to read Crowther-Hunt's follow-up letter. Despite sharing our views on the present state of the Civil Service Department, he believes that that is the only instrument for change and that it would be a strategic error to close it down. Norman and I have increasingly come to the view that nothing short of a "Ministry of Change" for the Civil Service will do any good. Crowther-Hunt's suggestion for the role and the "Cabinet" of the CSD (last paragraph of his first page) follows very much the same thinking as our own, as it turns out. The Service as it at present operates - culture, attitudes, methodology, everything - is simply not a system for solving the problems, or helping Ministers to solve problems, in the way people fondly imagine it is. It scarcely matters what sort of political party is in office as long as the Civil Service itself does not change. The newspaper coverage of PA Management Consultants' report on London Transport could, in our opinion, have been written about the Civil Service, despite its much larger share of the country's talent.

JOHN HOSKYNS

Mr HOSKYNS

cc for information

Mr Whitmore *+*
Sir Derek Rayner *mw.*

CIVIL SERVICE REFORM

1 I am fascinated by the piece in this morning's TIMES about your conversation with Lord Crowther-Hunt and Mr Kellner.

2 I think that we should have a word about this today (and I am writing because I cannot get you on the 'phone) as Sir Derek Rayner will be very interested to learn that his work needs complementing, as indeed I am myself. Will you please contact me?

3 Two points you may like to know of. First, Lord C-H has asked Sir DR to meet him for a talk and this will take place soon.

4 Secondly, you may like to see the attached copy minute on the book THE CIVIL SERVANTS and to know that Sir DR will probably tell Lord C-H that he is unfavourably impressed by Mr Kellner's omission to consult him with reference to the reporting of the Rayner project.

CP
C Priestley
(233 8224)

26 June 1980

ENC: Copy minute as indicated

Sir Derek Rayner

THE CIVIL SERVANTS

1. You kindly lent me the attached book by Mr Kellner and Lord Crowther-Hunt drawing my attention in particular to the account of the exchanges between Sir Keith Joseph and Mr Chapman in 1978-79 and to the extract from Mr Chapman's letter to you (pages 287-289).
2. I can confirm that we had no approaches from Mr Kellner, who wrote the relevant chapter of the book. There was certainly an opportunity for him to do so up to the end of December, as the evidence used in the book indicates that material which did not become available before then was used.
3. I think three points arise.
4. First there is the question whether it is worth complaining to the publisher, MacDonald General Books, about this very partial and incomplete presentation of the Rayner exercise and the sheer lack of professionalism which produced it. That must be for you to decide. I certainly think that you are entitled to complain that in a book which is described (page vii) as "the product of first-hand experience and of generalistic inquiry", you have ^{been} blackguarded without the option. But I suspect that a letter on M&S paper would strike a colder chill to the vitals than one on Cabinet Office paper. Either way I think it would be prudent to touch base with No 10 before writing.
5. Secondly, there is the question of putting Mr Kellner straight. I gather that, on the whole, CSD regard him as a reasonably good thing and are not averse from cultivating him. I would, therefore, include him among the guests for the general briefing which is the subject of a separate minute.
6. Perhaps the most important point of all is whether there is a frustrated "Chapman plan" and whether your exercise is pretty seedy compared with what might have been.

7. As I understand it, the "Chapman plan" really consists of the proposals made in relevant sections of his book, especially the chapter on "parts for early treatment".

8. I have asked Miss Holmes to get out an analysis of these proposals showing what action is on foot in the relevant areas. This is not to say that the action under way is in direct response to Chapman but to indicate that there is a certain-like mindedness.

9. The main reason for producing this analysis is that I think it would be helpful to let Sir Keith Joseph and the Prime Minister* have it. It should help to close off that particular chapter - although the pieceⁱⁿ the GUARDIAN last September and the two sentences I have marked on page 288 of the attached book have no doubt gone a long way to do that.

10. A secondary purpose is that the note will serve as general briefing should it be needed. And, if you thought it right, I would take an opportunity to let Mr Chapman have it - on a friendly basis, of course.

C PRIESTLEY
12 June 1980

Enc: "The Civil Servants"

* Mr. Pattison confirms this.

Times extract : 26 June 1980

Adviser for Whitehall reform plan sought

By Peter Hennessy

The Prime Minister is seeking an adviser to work in her Number 10, Downing Street Policy Unit on a plan for the long-term reform of the Civil Service and to suggest ways in which the Whitehall machine can be made to reflect ministerial wishes in the short term.

Mrs Margaret Thatcher has been taking a close personal interest in reshaping Whitehall recently. The individual she is seeking will complement the work of Sir Derek Rayner, joint managing director of Marks and Spencer and her adviser on the elimination of waste, who works part-time from the Cabinet office.

The search for a Whitehall adviser is being led by Mr John Hoskyns, head of the Number 10 Policy Unit, and Mr Norman Strauss, his assistant. Earlier this month they invited Mr Peter Kellner, a journalist with *The Sunday Times*, to take the post, but he declined.

The offer was made after Mr Hoskyns and Mr Strauss lunched with Mr Kellner and Lord Crowther-Hunt, co-authors of a book, *The Civil Servants*, published last month. They wished to discuss the themes of the book, which is highly critical of Whitehall's resistance to change and the tendency of the senior Civil Service to thwart those ministerial policies out of tune with departmental orthodoxy.

Mr Kellner made it clear that he was an active member of the Hornsey constituency Labour Party and in fundamental disagreement with the Government's economic strategy. Mr Strauss, none the less, offered him a position in the Number 10 Policy Unit.

Mr Kellner said yesterday: "I could not work in a group with whom I was fundamentally out of sympathy politically. I am a journalist and have no ambitions to turn gamekeeper."

Speaking of Mr Hoskyns and Mr Strauss, he added: "They regard the Civil Service as one of the main obstacles to the implementation of government policy. They think the Civil Service Department is a complete shambles."

The Number 10 unit believes the Civil Service tends to concentrate too much on the procedures of policy-making rather than on achieving results, and that the way to change it is to move outsiders into top positions.

Sir Derek Rayner has prepared a paper, *The Conventions of Government*, for Mrs Thatcher which takes a similar line. He has proposed that officials of proven ability should reach the top much sooner and that the length of the Civil Service hierarchy should be shortened.

Mr Kellner is to leave *The Sunday Times* in September to join the *New Statesman*.

The Civil Servants: An Inquiry into Britain's Ruling Class by Peter Kellner and Lord Crowther-Hunt (Macdonald and Jane's, £9.95).

PERSONAL

Mr WHITMORE
✓
MJ

Sir Derek Rayner's dinner party, 8 pm, 8 July 1980

1. We spoke last week and I have consulted Sir Derek Rayner on the guest-list.
2. Sir DR thinks that the occasion is more likely to be helpful to the Prime Minister and himself the fewer people there are present. He would accordingly propose to invite, in addition to the PM and Mr Thatcher, either Sir Robert Armstrong or, if he is not available - and he has not yet been asked, yourself.
3. Sir DR has said that he would like the discussion to be completely open and frank. The PM will no doubt have points to put to him. Among those he would like to raise with her are the time at which his assignment in Whitehall as at present conducted should cease and the arrangements which might be made thereafter.
4. In speaking to the latter point, Sir DR will need to comment on Whitehall personalities and has asked me whether this would make your own presence (should the die so be cast) embarrassing. I have told him that, in my view, it should not, given that you are the PM's Private Secretary, but if you have any thoughts on this you will no doubt let me know.

Security and logistics

5. I have told Miss Stephens that 3 Hamilton Terrace is more secure than most homes need to be, but Sir DR is quite content for it to be looked over beforehand if you wish. The main points are:
 - Front door bullet-proof; back door secured by a grille.
 - Windows not bullet-proof but screened and curtained. (You will recall the lay-out of the through sitting/dining room on the ground floor, which is at a right-angle to the road.)
 - Two separate phones, but direct line to St John's Wood police station disconnected.
 - Neighbours on either side can be vouched for; neighbours at rear believed to be Libyan diplomats.
6. I have also told Miss Stephens that I can look after the driver and detective at my flat (67, Marlborough Place), but if it is desired that they should be on the same premises as the PM, Sir DR can cope with them.

CP
C PRIESTLEY
24 June 1980

MR. THATCHER

The dinner with
Sir Derek Rayner on 8 July
is informal.

CAROLINE STEPHENS

24 June 1980

file

22

~~65 7/7~~

MR. THATCHER

The Prime Minister has accepted an invitation from Sir Derek Rayner to dine on Tuesday 8 July. Mr. Whitmore will also be present.

Would you like to go?

CAROLINE STEPHENS

23 June 1980



10 DOWNING STREET

Mr. White

When we last
spoke you said
it was you &
not D.T.

Is his design
reversed & shall I
ask D.T.?
cf.

20/6.

Miss Stephens

Sorry. The Home Ministers
thought D.T. was who to be present.
So please ask him.
Sorry x2: I failed to
find my note when you put it
on the desk. I must have been
misimpressed just as I was completely
missed!

MR WHITMORE

The attached note asks that Derek Rayner should have the opportunity for an extended private talk with the Prime Minister in the reasonably near future.

Dinner in the first week of the Recess might be possible, but I am sure that DT would prefer to be excluded. Do you want to suggest that you and the Prime Minister might take up this invitation? I doubt whether a day-time meeting would allow the kind of conversation which Derek has in mind: it is difficult to find time for an extended talk, and in the past the Prime Minister has tended to test out Derek's ideas on whatever is at the top of her mind rather than allowing the conversation to pursue the topics for which it was set up.

I suggested to Mr. Priestley that Derek might submit a short note on where his assignment has got to. After the Prime Minister's mood of disillusion at the time of the Civil Service numbers statement, it might be useful to show her that there is some progress being made.

MAP

Miss Gwynne.

As I told you, the Prime Minister has accepted Sir D. Rayner's invitation for himself and Mr. Thatcher. She has agreed that the dinner should be on Tuesday 8 July, and I have told Mr. Priestley this. I have, however, warned him that there is likely to be a running 3-hour ship out morning and if, notwithstanding the fact that the Prime Minister will be present, there is some kind of crisis, Sir Derek may find roles are reversed and he is the Prime Minister's guest here.

17 June 1980

can I not need to be there too.

*FW
rui*

I left it with Mr. Priestley that the dinner would be a treat. If, however, Sir Derek Rayner wanted him to be there, I would need to mention this to the Prime Minister; and as it

PERSONAL


cc for information

Mr PATTISON

Mr Wright
Sir Derek Rayner

EFFICIENCY OF CENTRAL GOVERNMENT

1. Sir Derek Rayner would very much welcome an extended private talk with the Prime Minister in the reasonably near future.
2. He would like to offer the Prime Minister and Mr Thatcher dinner if this would be agreeable and could be managed. (Sir DR is away from 11 - 27 July and 18 - 26 August inclusive.)
3. If that is not on, Sir Derek Rayner would be glad to wait on the Prime Minister at anytime convenient to her.
4. From his point of view, the purposes would be first, to receive any points which the PM wanted him to take on board and, secondly, to say what he thinks about experience so far; about some of the issues of the moment, including top management in Whitehall (which is relevant to the impending submission on the organisation of the central departments); and the tasks for the future. Sir DR proposes to have a prior word with Sir Robert Armstrong.
5. As already arranged with you, this office will provide a note on work in hand and results so far in time for the Summer Recess, but if it turns out that a meeting is arranged before then, we shall prepare it earlier.


C PRIESTLEY
17 June 1980



Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

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

10 June 1980

Dear Michael

DEPARTMENTAL MANAGEMENT SYSTEMS

I am sorry to have delayed so long in writing to say how grateful I am for your letter of 1 May enclosing a description of your manpower control and information system.

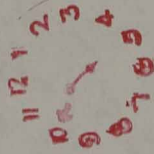
Arrangements have now been made between our offices for me to attend the meeting you are holding on Monday, 16 June at 3.00pm. I understand it will be the first of two meetings with officials from your Housing Directorates. I look forward to it very much.

I am copying this to the Prime Minister and to Sir Derek Rayner.

PAUL CHANNON

PC

10 JUN 1960

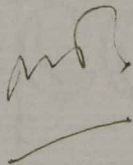


PRIME MINISTER

cc: Mr. Wolfson
Mr. Hoskyns

Mr. Channon reports that Departments have now accepted a 2½% figure for Civil Service manpower ^{cuts}~~costs~~ in 1980/81, with the very limited range of exceptions originally envisaged. This is likely to give an overall reductions figure of 2.3% in 1980/81.

The C.S.D. is now discussing with Departments detailed figures for manpower reductions in future years. Ministers are due to report to Lord Soames by 2 July on their plans for reviewing functions and efficiency, together with their provisional review of their proposed reductions up to 1984. This will be the basis for Lord Soames' report to Cabinet before the Summer Recess.



9 June 1980

*Original
CF. to note
AR*



CCSD

10 DOWNING STREET

THE PRIME MINISTER

9 June, 1980

Dear Arthur,

Thank you for your letter of 22 May in which you draw my attention to an article by Leslie Chapman in The Daily Mail. But you seem to have ignored my statement to Parliament on 13 May. We are taking action to reduce overmanning and cut costs.

In our first year of office we reduced the Civil Service by 27,000. I have recently announced plans for a further reduction of 75,000 over the next four years, so that by the end of this Parliament the Civil Service will be smaller than at any time since the War. This target is based on the achievement of substantial improvements in efficiency. All my colleagues are firmly committed to this. Much has already been achieved by Ministers on their own account and with the help of Sir Derek Rayner to whom the article rightly pays tribute.

*Yours sincerely
Margaret Thatcher*

Arthur Lewis, Esq., M.P.

RL



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

Minister of State

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

9 June 1980

Dear Keith

INDUSTRIAL SPONSORSHIP

At its meeting on 1 May, Cabinet asked me to arrange for the programme of work summarised in Annex D to C(80)24 to be implemented.

This included my proposal that there should be a general review of industrial sponsorship. I now write to take this further.

For the purpose of this review I strongly believe that we should take a broad view of the kinds of activities which may involve "sponsorship". I have in mind therefore that the review should cover:

- a. staff engaged in administering schemes of assistance of one kind or another. Often this work includes a sponsorship element which it may be possible to reduce without undermining substantially the effectiveness or efficiency of the assistance itself. We need to check also that, as financial assistance programmes are reduced, at least commensurate reductions in staff are being planned. (I am aware that you have already proposed staffing reductions in this area of work and that you will be taking account in due course of the recommendations of the current scrutiny of the regional development grant offices.)
- b. Advisory and promotional work on behalf of industry and the provision of services. I understand that this represents a large proportion of the work undertaken in regional offices. As you mentioned, in your letter of 25 April, their work also encompasses liaison with local authorities. You are already looking for savings here following implementation of the reduced regional assistance policy. Our objectives for reducing local authority oversight point strongly in the same direction.

MANAGEMENT IN CONFIDENCE

c. Staffs employed in the supervision or monitoring of nationalised industries, for example in the light of the substantial reductions in special support for the aerospace, shipbuilding and steel industries which are now envisaged and our general aim to disengage from detailed interference in the activities of the public corporations.

I propose that we should look at the position across all the Departments involved in industrial policies, both to see that we are adopting a broadly consistent approach and that we can be satisfied that all opportunities for reductions are being fully exploited.

I therefore suggest, as a first step, that my officials should prepare for us a summary paper on the present position. This would show the areas of industrial sponsorship, supervision, promotion, etc in which each Department is engaged, covering the field broadly in the first instance. We can narrow it down later if need be. It should then go on to give the numbers of staff involved in each of these activities at the time we came into office, the numbers now involved, and the firm proposals for further reductions which have already been agreed. Most of this information will need to be drawn from Departments and I should be grateful if you and the other colleagues to whom I am copying this letter could ask their officials to be ready to provide this material. The aim will be to circulate the paper by the end of this month.

The next step will then be to consider what the scope is for further reductions. I have an open mind about how this might best be done. It may be that a short meeting of all the Ministers concerned would be helpful. If you would like to have a word about this, I am of course at your disposal.

I am copying this letter to the Prime Minister, to Geoffrey Howe, Peter Walker, Michael Heseltine, George Younger, Nicholas Edwards, Patrick Jenkin, John Nott, David Howell, Norman Fowler and to Sir Derek Rayner.

PAUL CHANNON

170 JUN 1960

6 3 4 5
2 1

Original
in G.R.



cc LPS

10 DOWNING STREET

THE PRIME MINISTER

9 June 1980

Mr. Shepherd

Thank you for your letter of 30 May. I think there may be some misunderstanding. Where the last sentence of your letter is concerned, I assure you that we are intent to make savings in the total strength of the Civil Service both by reducing tasks and also by improving efficiency. Both are necessary.

The papers which you sent me relate to the programme of savings which we announced last December. It was right, and it remains right, that the staff in the Civil Service were assured that this was not simply a means of making a smaller number of staff do the same amount of work. We were looking at that stage for a comprehensive review of the functions of Government to cut out those which we could do without. But that in no way implies that we did not seek to improve efficiency and make savings in other areas by simplifying, rather than cutting, tasks. Indeed, the savings we announced last December had a contribution which came from precisely such increased efficiency. The unions understand this perfectly well - the search for increased efficiency in the Service is not new.

/ On

ds

On 13 May I announced the Government's intention to reduce the size of the Civil Service to 630,000 over the next four years. A major contribution to this must come through making our operations more efficient and simplifying the work so that less people are needed.

Yours sincerely
Raymond Stiller

Richard Shepherd, Esq., M.P.

CONFIDENTIAL

PRIME MINISTER

CIVIL SERVICE MANPOWER REDUCTION IN 1980-81

In your Personal Minute (M5/80) of 5 March to the Home Secretary, you referred to Cabinet's decision that there should be an overall reduction in Civil Service manpower costs in 1980-81 averaging as near to 2½% as possible, taking account of very limited exceptions which should be confined so far as possible to Prison Officers and a few very small Departments. You asked me to report the final outcome to Cabinet.

The exceptions which have now been settled are as follows:

i. Home Office, Scottish Office, Northern Ireland Office

Prison staff in all three Departments, with a few staff in the Northern Ireland Office dealing with law and order problems, have been exempted. The Secretary of State for Scotland has decided to make special arrangements for the State Hospital, but apart from this, other areas in these Departments will take the 2½% cut;

ii. Small Departments

The following small, mostly legal Departments have been exempted altogether: Law Officers' Department; Director of Public Prosecutions; Lord Advocate's Department; Crown Office/Procurator Fiscal Service; Scottish Courts Administration; Northern Ireland Courts Service; Treasury Solicitor; Exchequer and Audit Department; Office of the Parliamentary Commissioner for Administration;

iii. GCHQ

Complete exemption from the reduction.

The position of the British Council, one of the fringe bodies included in the Central Vote arrangements, is still under review.

CONFIDENTIAL

CONFIDENTIAL

All other Departments will be making a reduction of at least 2½%.

The effect of the exemptions is to give an overall cut in manpower costs in 1980-81 for the Civil Service as a whole of 2.3%.

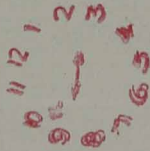
I am copying this minute to members of the Cabinet, the Minister of Transport, and Sir Robert Armstrong.

P.C.

PAUL CHANNON
6 June 1980

CONFIDENTIAL

19 JUN 1960



cc CSD

CF to [unclear]

Correspondence in ER

5 June 1980

Dear Eric,

Thank you for your letter of 15 May. I agree that reductions in the functions we ask the Civil Service to perform are an important element in our policy of reducing its size and cost. As well as increasing economy and efficiency, we need to reduce the amount of government interference in and managing of other people's business.

This objective is implicit both in the Statement made by Christopher Soames on 6 December, and in my more recent Statement of 13 May. I have no plans at present for a further Statement on the question of cutting functions, but I am sure that the Ministers responsible will take careful note of any particular suggestions you may care to elaborate.

Yours ever,

Margaret

E.P. Cockeran, Esq., J.P., M.P.

CONFIDENTIAL



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

4 June 1980

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

Handwritten notes:
 CFW to see
 ra
 MAD
 5/1/80

Dear Willie,

CIVIL SERVICE EFFICIENCY AND MANPOWER

Colleagues are now drawing up plans for achieving our aims of improving the efficiency of the Civil Service and reducing its size to around 630,000 by 1 April 1984.

The Prime Minister has asked me to report progress to Cabinet before the Summer Recess, so I should be grateful if all Ministers in charge of departments would let me have by Wednesday, 2 July, with a copy to Sir Derek Rayner, an outline of their plans for reviewing functions and efficiency, together with their provisional view of the reductions they would propose up to April 1984, with more detailed thinking about 1981-82.

In drawing up their plans, in consultation with Paul Channon and myself, and Sir Derek Rayner as appropriate, colleagues will wish to bear in mind that:

- a. we have agreed to make a determined effort to cut out less essential tasks, simplify procedures and make the work more efficient. There are some areas where functions cannot be dropped. But greater simplicity and efficiency are attainable everywhere to a greater or lesser extent, even including those parts of the work where the pressure is growing;
- b. the review of Departmental functions must be seen to be effective and comprehensive. I therefore suggest that colleagues assign one of their best officials to the detailed work of the review, under their direction and that of their Permanent Secretary;
- c. to be sure of getting down to 630,000 we need a reduction of about 55,000 posts, over and above both the savings to which we committed ourselves last December and the 2½% cut arising from the pay settlement this year. If applied equally to all departments, this new commitment is equivalent to a further reduction of 8% in present staff in post.

CONFIDENTIAL

- d. while there is to be some flexibility in individual contributions, it is obvious that if some achieve less than 8%, others must do correspondingly more. It will not be possible to make up elsewhere any serious short-falls in the large departments;
- e. it is important to keep up the impetus in 1981-82;
- f. we must achieve a proportionate saving in senior posts;
- g. the confidentiality of some proposals will need to be protected for all sorts of different reasons, but colleagues will want to be as open as possible with the staff and unions;
- h. I hope colleagues will do everything possible to sustain morale in the Civil Service, especially by praising effort and initiative both within our departments and publicly.

My officials will play their part in the ways agreed in Cabinet, and are already in touch with departments for this purpose.

I am sending copies of this letter to the Prime Minister, to all Ministers in charge of Departments; to Sir Robert Armstrong; and to Sir Derek Rayner.

Yours ever

Christoph

SOAMES

CONFIDENTIAL



- 5 JUN 1980

CONFIDENTIAL



Civil Service

10 DOWNING STREET

From the Principal Private Secretary

3 June 1980

Dear Jim,

CIVIL SERVICE EFFICIENCY AND MANPOWER

As I explained to you on the telephone, the Prime Minister has not been able, in the midst of her other preoccupations, to give as much thought as she would have liked to the suggestion which the Lord President made in his minute of 20 May that she should write to other members of the Cabinet about the steps to be taken to follow up the Cabinet's discussion on 1 May on Civil Service Efficiency and Manpower.

She has said, however, that since the need to circulate something on the lines of the draft minute attached to Lord Soames' minute of 20 May is becoming increasingly urgent, she is content for the Lord President to write to his colleagues. The Prime Minister agrees that Lord Soames should tell his colleagues that she has asked him to make a progress report to Cabinet before the summer recess.

I am sending copies of this letter to Derek Rayner and David Wright (Cabinet Office).

Yours ever,

Sheila Whiston

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



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

*Mr Whitmore A. 15/11/80
Mr Wolfson 4/11/80*

*Thoroughly uninformative.
Real answer seems to be
that CSO do not have
figures.*

MP 4/11/80

2 June 1980

Dear Mike

na MP 4/11/80

You enquired some time ago about annual wastage from the Civil Service, and the number of posts represented by the estimated numbers of those leaving each year.

Although there are no data available which would enable us to calculate this directly, we have produced the following estimates, using theoretical methods:-

Time period (years)	Estimated wastage	Posts affected by wastage
1	80,000	77,000
2	160,000	151,000
3	140,000	220,000
4	320,000	286,000

It must be emphasised that these are theoretical results (to answer your query as best we can) and, in the circumstances of our wastage estimate, they should not be given any weight in practical considerations. Our original estimate of 80,000 was for wastage over the next few years. It was based on recent experience but incorporated adjustments to take account of changes in recruitment (and, hence, length of service) patterns and reductions in the size of the Service. Actual wastage in 1979 was about 90,000 (this has to be an estimate because we do not have figures for industrials). For a period of one year the difference between the estimates of wastage and the number of posts affected is small compared with the margins of error concerned. For practical purposes, therefore, there is little to be gained in seeking to refine the figure of 80,000 when it comes to considering loss estimates in relation to the overall cut figures.

*Yours sincerely
Toby Churchill*

TOBY CHURCHILL
Assistant Private Secretary



U.S. AIR FORCE

JUN 1960

RECEIVED

PERSONAL

Mr PATTISON

CIVIL SERVICE EFFICIENCY AND MANPOWER

1. This supplements my minute of 21 May on the CSD draft minute from the Prime Minister to Ministers, especially my comments on its purpose and tone, and is sent to you in case we are unable to speak this evening. My working assumption is that the PM will minute to Ministers, so I am sorry to be adding to paper unnecessarily if the decision now is that she should not.
2. I have not spoken to CSD specifically about the draft but I find that current work by their officials and by departments following the 1 May Cabinet decisions rather worryingly ad hoc. If the PM does minute, one useful purpose of doing so would be to inject some structure into the review work. The present activity appears confined to
 - a. a "desperate effort" to see what can be offered up as a first slice of cuts for 1981-82; and
 - b. establishing the present size and nature of the staff to be reduced to 630,000 - ie agreeing on the base line for each department to start from and on what counts as "Civil Service" for this purpose.
3. No other basis for the "departmental reviews" of efficiency is yet in CSD's mind as far as I know.
4. This means that the "plans" called for by early July are unlikely to get much beyond
 - a. the offerings for 1981-82 about which there may be a good deal of in-fighting; and
 - b. the very broad indications of where Ministers might look for subsequent improvements and "a general view of the achievability of the overall target".
5. I think that the implications of this for the draft minute from the Prime Minister are that it
 - a. should not seem tardy and out of touch with what is happening already;
 - b. should give the PM and Cabinet room for manoeuvre by indicating that the first views put forward for 1981-82 must be "provisional" (as in paragraph 9 of the alternative draft I sent you); and
 - c. leave room for playing in Sir Derek Rayner.

PERSONAL

6. I leave the point at 5a for you to deal with, but if you are using the draft I sent you, I suggest that you amend paragraph 4:

"The Civil Service Department will play their part as agreed in Cabinet and are already in touch with departments for this purpose."

7. On 5b, I suggest that (as proposed in paragraph 9 of my alternative draft) outline plans should be copied to Sir DR, especially if you cut out the second sentence of paragraph 4 of the alternative draft.

8. I should confirm for the record that Sir DR thinks that he can make a contribution to departmental reviews in the large departments, if asked, and that that is where his main effort in connection with departmental reviews should be made. You may like to consider whether he should be invited to do so quite specifically and unmistakably.

9. You may like to know that Sir DR has made a specific offer, on a personal basis, to the Chancellor in this respect. This was in a personal letter earlier this week, following up a meeting with the Chancellor and Lord Cockfield last week, for which the former asked. Sir DR has also been asked by the Permanent Secretaries of Social Security, Inland Revenue, the NI and Scottish Offices and Industry to visit them and their senior management over the next few weeks, two of these specifically in the context of the "departmental reviews" called for by the 1 May Cabinet.

gp

C PRIESTLEY
30 May 1980

CONFIDENTIAL

1.

PRIME MINISTER

Civil Service Efficiency and Manpower

The Civil Service Department are anxious to follow up quickly your statement in the House of Commons on Civil Service efficiency and manpower, and they have been discussing the next steps with Departments. The Lord President has now minuted you about this, inviting you to send a minute to all Ministers in charge of Departments (flag A). 20/5/80

Sir Derek Rayner's Office have let us have some comments on the draft minute provided by Lord Soames, and I attach at flag B an alternative draft which follows the lines of Lord Soames' draft but which also takes account of the comments from Sir Derek Rayner's Office. Are you ready to minute your colleagues, and if so, which version do you prefer?

JWH.

23 May 1980

CONFIDENTIAL

CONFIDENTIAL

B

DRAFT MINUTE FROM THE PRIME MINISTER TO MINISTERS IN CHARGE
OF DEPARTMENTS

Civil Service Efficiency and Manpower

Following the Cabinet's discussion on 1 May, I announced in the House on 13 May our aim of improving the efficiency of the Civil Service and reducing its size to around 630,000 by 1 April 1984. As you will know, I met Permanent Secretary Heads of Departments on 6 May to discuss with them the conclusions reached at Cabinet.

The purpose of this minute is to ask Ministers in charge of Departments to take personal responsibility for the review of their Departments' functions and activities which the Cabinet agreed should now be undertaken; and to indicate the next steps.

To help them ensure that the reviews are successful, I suggest that Ministers should put one of their best officials in charge of the detailed work of the review, under their direction and that of their Permanent Secretary.

I have asked the Lord President to make a progress report to Cabinet before the Summer Recess. I should accordingly be grateful if all Ministers in charge of Departments could let him have by Wednesday, 2 July (with a copy to Sir Derek Rayner) an outline of their plans for reviewing functions and efficiency, together with their provisional

/ estimate

CONFIDENTIAL

CONFIDENTIAL

- 2 -

estimate of the reductions they propose to make over the four years 1981-84. I should like proposals for 1981-82 to be as firm as possible, both in terms of numbers and costs.

The reviews should be a systematic effort to cut out less essential tasks, simplify procedures and make the work more efficient. The shorter term exercises which Departments have already carried out have shown what can be done to reduce functions and the numbers of civil servants. We now need to produce savings and improvements in efficiency over the remaining years of this Parliament and beyond. The overall objective we have set is, in the light of the experience of the past 12 months, a realistic estimate of what is attainable.

In drawing up their plans, Ministers should have in mind the following points:

- (a) Taking account of the contingency margin the Cabinet thought necessary, we require a reduction of some 55,000 posts, in addition to the firm savings we decided upon last December and the continuation of this year's 2½ per cent squeeze - about a further 8 per cent overall.

/ (b)

CONFIDENTIAL

CONFIDENTIAL

- (b) While we have agreed to flexibility between Departments, if some Ministers achieve less than 8 per cent, others must do correspondingly better. I see no prospect of making up elsewhere any serious shortfall in the large Departments;
- (c) It is important to set the momentum going and to make sure that 1981/82 sees us well on the way towards the figure of 630,000;
- (d) We must achieve a proportionate saving in senior posts.

I know that Ministers will be concerned to sustain morale in their Departments, following the series of measures we have announced since taking office. It will be especially important to reward effort and initiative. We should, as a general rule, be as open as possible with the staff and the unions, though I recognise that the confidentiality of some proposals may need to be protected.

The Civil Service Department will play their part as agreed in Cabinet and will shortly be in touch with Departments for this purpose.

I am sending copies of this minute to Sir Robert Armstrong and Sir Derek Rayner.

CONFIDENTIAL

MR. WHITMORE

Manpower

I attach:

- Flag A: The Soames draft minute 20/5/80
Flag B: A Rayner/Priestley alternative
Flag C: My attempt to put the two together
in suitably Prime Ministerial terms.

The Rayner draft includes (paragraph 4) the proposal that a Rayner note should be circulated containing suggestions based on experience with projects/scrutinies to date. But the Prime Minister has already made Mr. Channon responsible for cross-fertilisation following Rayner's work. I suggest that this would be best handled by your minuting Jim Buckley with the Prime Minister's request that the CSD team should circulate a note by Rayner on experience derived from his work to date, and should stress the Prime Minister's wish that the large employers in particular should consider what additional help Sir Derek could give them in this work.

MAD

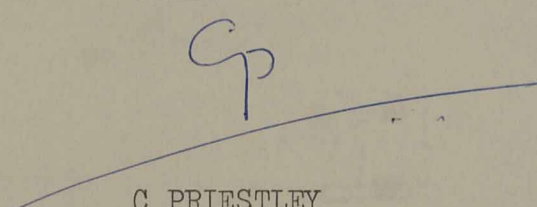
21 May 1980

cc Sir Derek Rayner

Mr Pattison

CIVIL SERVICE EFFICIENCY AND COSTS

1. We spoke this morning about the Lord President's minute of yesterday. Sir Derek Rayner has now seen it and thinks it a very disappointing and potentially irritating letter.
2. Sir Derek Rayner thinks that if the Prime Minister wishes to minute Ministers, or to have a letter sent to their offices on her behalf, it is very desirable that it is in tone and content Prime Ministerial, that is businesslike and realistic. The draft is not only pious and exhortatory in tone (cf paras. 2, 3(a) and 6), but it does not take the 1981-82 issue squarely enough (para. 3(b) - (c)) and is unrealistic, and risks being counter-productive, in calling for plans by 2 July. That is only 6 weeks from now. There is hardly time for consultation with CSD Ministers; there are, as we understand it, no guidelines for plans; and the reference to consultation with Sir Derek Rayner "as appropriate" is rather obscure in intention.
3. I attach a possible revise, retaining large parts of the original.
4. The key changes I have suggested relate to the immediate need for 1981-82; the nature of the report by the Lord President in July; the provisional nature of the plans to be produced by departments in 6 weeks; and Sir Derek Rayner's role.


C PRIESTLEY
21 May 1980

Enc: Revised draft

CONFIDENTIAL

CIVIL SERVICE EFFICIENCY AND COSTS

1. Cabinet decided on 1 May to aim at reducing Civil Service manpower by 630,000 by 1 April 1984. As agreed, I saw Permanent Secretary Heads of Department on 6 May and announced our policy in the House on 13 May. A copy of my statement has been sent to departments.

2. The purpose of this minute is to ask Ministers in charge of departments to take a personal responsibility for the review of their departments and for seeing it through; to indicate the next steps; and to comment on relations with staff.

Ministerial leadership

3. In order to help them carry out a thorough review, I suggest that Ministers ensure that one of their best officials is put in charge of the detailed work of their review, under their direction and that of their Permanent Secretary.

4. The Civil Service Department will play their part as agreed in Cabinet and will shortly be touch with departments for this purpose. I have asked Sir Derek Rayner to circulate a note containing suggestions derived from Ministers' experience with projects and scrutinies and to make himself available to Ministers, but giving the priority to those responsible for the largest numbers of staff.

Next steps

5. Two things are now necessary, to plan for the systematic review of each department so as to produce savings and improvements over the remaining years of this Parliament and beyond and to consider in the PESC context what reductions in staff numbers and costs should be made in 1981-82.

6. Cabinet decided against a common percentage target for all departments. The logic of this is that Ministers have to take the lead on their own targets. They may find it helpful to consider target size in the light of two considerations.

7. First, reviews of functions, simplification and efficiency should in one sense be targetless, in that setting targets might produce results which are less than the best possible. This would also take account of the fact that it would be necessary to spend some time carrying out thorough reviews of possible reductions where these involve large-scale activities and in the case of activities which cross departmental boundaries.

8. Secondly, however, the overall target of 630,000 must inform the reduction of functions and staff numbers. Taken with the contingency margin Cabinet thought necessary this means:

a. a reduction of some 55,000 posts in addition to the firm savings we decided upon last December and the continuation of this year's $2\frac{1}{2}\%$ squeeze, ie a further 8%;

b. while we have agreed to flexibility between departments, if some Ministers achieve less than 8%, others must do correspondingly better - in particular it would be impossible to make up elsewhere any serious short-falls in the large departments;

c. it is necessary to set the momentum going and to make sure that 1981-82 sees us well on the way towards the figure of 630,000;

c. we must achieve a proportionate saving in senior posts.

9. I think it would be helpful to consider provisional plans in the round before the Summer Recess. For this purpose, I should be grateful if Ministers in charge of departments let the Lord President have by Wednesday 2 Jly, with a copy to Sir Derek Rayner, an outline of their plans for reviewing functions and efficiency, together with their provisional view of the reductions they would propose for 1981-84, with particular reference to 1981-82.

Staff

10. We must do all we can in the interest of morale, especially by rewarding effort and initiative and by

praising them both within our departments and publicly. The confidentiality of some proposals may need to be protected, but we should be as open as possible with the staff and unions.

11. I am sending copies of this minute to Ministers in charge of departments, Sir Robert Armstrong and Sir Derek Rayner.

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C

DRAFT MINUTE FROM THE PRIME MINISTER TO ALL MINISTERS IN
CHARGE OF DEPARTMENTS

Civil Service Efficiency and Manpower

Following ~~the~~ Cabinet discussion on 1 May, I announced in the House on 13 May our aim of improving the efficiency of the Civil Service and reducing its size to around 630,000 by 1 April 1984. As you will know, I met Permanent Secretary Heads of Departments on 6 May to ^{discuss with them} explain the conclusions reached at Cabinet.

Ministers in charge of Departments will ^{no doubt wish} need to take personal responsibility for the review of their Departments' ^{functions and activities which Cabinet agreed to} ~~which must~~ now be undertaken, in pursuit of the objective agreed on 1 May. I have asked the Lord President to make a progress report to Cabinet before the summer recess. I should be grateful if all Ministers in charge of Departments could let him have by Wednesday 2 July (with a copy to Sir Derek Rayner) an outline of their plans for reviewing functions and efficiency, together with their provisional ^{to make over the four years} review of the reductions they would propose for 1981-84. I would like proposals for 1981/82 to be as firm as possible both in terms of numbers and costs, ~~to allow for PESC work to proceed in the normal timetable.~~

The reviews should be conducted systematically, so as to produce savings and improvements over the remaining years

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- 2 -

of this Parliament, and beyond. We have already undertaken several shorter-term exercises aimed at reducing functions and numbers of civil servants. We now need to make a concerted effort to cut out less essential tasks, simplify procedures and make the work more efficient. The overall objective we have set is a realistic estimate of what is attainable given the experience of the past twelve months. We have concluded that there should not be a common percentage for all Departments, but I will expect Departments to work on the basis that greater simplicity and efficiency can produce comparable savings across the board.

Ministers should ensure that one of their best officials is in charge of the detailed work of the review, under their own direction and that of their Permanent Secretaries. The results will need to be directed to these needs:

- (a) Taking account of the contingency margin Cabinet thought necessary, we require a reduction of some 55,000 posts, in addition to the firm savings we agreed last December and the continuation of this year's 2½% squeeze - about a further 8% overall;
- (b) While we have agreed to flexibility between Departments, if some Ministers achieve less than 8%, others must do correspondingly better. I see no prospect of making up elsewhere any serious short fall in the large Departments;

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- 3 -

(c) I expect to see the current impetus maintained through 1981/82, not a bunching of potential savings in later years;

(d) We must achieve a proportionate saving in senior posts.

I recognise that Ministers will be concerned to sustain morale in their Departments, following the series of measures we have announced since taking office. It will be especially important to reward effort and initiative, both within Departments and publicly. The confidentiality of some proposals may need to be protected, but we should be as open as possible with the staff and the unions.

The Civil Service Department will play their part as agreed in Cabinet and will shortly be in touch with Departments for this purpose.

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PRIME MINISTER

Now that you have made your statement on civil service manpower, we must move on quickly to achieve the savings by reducing tasks and improving efficiency.

Since the Cabinet has decided against a common target for all departments, it is necessary to start by asking each department to set its own, with whatever help we can provide. But this should be done quickly. It is essential to keep up the momentum and make sure that 1981-82 sees us well on the way towards the figure of 630,000. I must report back to Cabinet before the Summer Recess.

It would be most helpful if you could write to our colleagues asking them to draw up their plans by early July. I enclose a draft.

Paul Channon and I will keep closely in touch. As a first step I shall ask a small team of officials, led by Sir John Herbecq, to visit each department and consider with them how best to approach the task. This way of proceeding has been mentioned informally to Permanent Secretaries, who welcomed it.

I am copying this minute to Sir Robert Armstrong and Sir Derek Rayner.

S.

SOAMES

20 May 1980

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DRAFT MINUTE TO MINISTERS IN CHARGE OF DEPARTMENTS

CIVIL SERVICE EFFICIENCY AND MANPOWER

Now that I have announced our aims of improving the efficiency of the Civil Service and reducing its size to around 630,000 by 1 April 1984, we must draw up our plans for achieving these objectives.

We have agreed to make a determined effort to cut out less essential tasks, simplify procedures and make the work more efficient. There are some areas where functions cannot be dropped. But I believe that greater simplicity and efficiency are attainable everywhere to a greater or lesser extent, even including those parts of the work where the pressure is growing.

I should be grateful if, in drawing up their plans, in consultation with CSD Ministers, and Sir Derek Rayner as appropriate, colleagues could bear in mind that:

- (a) The review of Departmental functions must be seen to be effective and comprehensive. All Ministers should ensure that one of their best officials is put in charge of the detailed work of the review, under their direction and that of their Permanent Secretary.

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(b) In order to achieve our target of 630,000 plus the larger contingency margin we agreed would be necessary, we shall need a reduction of about 55,000 posts in addition to the firm savings we decided upon last December and the continuation of this year's $2\frac{1}{2}\%$ squeeze - about a further 8%;

(c) While we have agreed to flexibility as between departments, it is obvious that if some achieve less than 8%, others must do correspondingly more. It will not be possible to make up elsewhere any serious short-falls in the large departments;

(d) It is important to keep up the impetus in 1981-82;

(e) We must achieve a proportionate saving in senior posts;

(f) The confidentiality of some proposals may need to be protected but we should be as open as possible with the staff and unions;

(g) We must do all we can to sustain morale in the Civil Service, especially by praising effort and initiative both within our departments and publicly.

The CSD will play their part in the ways we agreed in Cabinet and will shortly be in touch with departments for this purpose.

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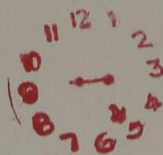
I have asked the Lord President to make a progress report to Cabinet before the Summer Recess. I should be grateful if all Ministers in charge of departments could let him know by Wednesday, 2 July, their plans for reviewing functions and improving their department's efficiency, and what reductions they propose to make in 1981-82 and, in broad terms, for the rest of the period.

We should be well able to fulfil the task we have set ourselves. Our progress will be under constant scrutiny and I ask all my colleagues to give it the necessary priority.

I am sending copies of this minute to all Ministers in charge of departments, to Sir Robert Armstrong and to Sir Derek Rayner.

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21 MAY 1980





Civil
Service

10 DOWNING STREET

Thank you.
CAG
JWH
20.7.

To see Mr Bancroft's
response to Derek Rayner's
note about Permanent
Secs next step in
manpower

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Mr. Pattison

cc Mr. Allen

For information.

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18.11.80

SIR DEREK RAYNER

CIVIL SERVICE MANPOWER AND COSTS

Thank you for your minute of 15 May which was most interesting and useful to me. I read out the substance of it at the meeting of Permanent Secretaries today, as I thought it helpful to inject your points into the debate. This turned out, as I expected, to be largely of a mind clearing character, helping to identify problems to explore in the future and pointing to the approach we might adopt - to get departments planning quickly for 1981/2.

Colleagues very much supported your view that the target set could only be met if specific proposals for simplification and dropping of functions could be adopted. They also noted your view that there might be a case for an official other than the PEO to be made available to mastermind the exercise. I made it clear that this was a matter which must be for each Permanent Secretary to decide according to the circumstances in his own department. (I suspect that in practice many will choose their PEOs, as the most experienced officials in this field who can most quickly take up the challenge).

After some reflection, colleagues said that they would, in fact, welcome sorties from CSD to discuss the most constructive way forward, and how matters looked from their point of view. I myself feel this will offer us immediately the best chance of getting things moving without delay, but share your view that we must ensure that the rationale of the exercise is properly understood both by Ministers and officials. One opportunity to explore this further might perhaps be when you see Permanent Secretaries and later Principal Establishment Officers on 28 May. Another will be when we prepare a progress report for Ministers in July. I plan to reconvene the group of Permanent Secretaries to look at the draft skeleton of our report, which we hope Ministers can consider at the penultimate Cabinet this summer.

In this connection, it is worth noting that Permanent Secretaries this morning indicated that they would want to come back to Ministers in July for more guidance on whether the exercise was primarily about numbers - as seems from the target - or costs. They wanted to prepare illustrations of the results that concentration on the former could have, both in terms of contracting out work at greater cost and in undermining the morale of officials in trading funds, or revenue earning operations.

Again!

As for your own role, I expressed my hope that other departments would follow the Customs and Excise example and seek your views on their particular problems. There was a clear indication of a desire to do so, and an interest in the general experience so far from projects and scrutinies. No doubt these meetings will provide the mechanism for you to explore further the 'unthinkable' you mention - though as you say, (and colleagues echoed in discussion) many of these are rather longer term possibilities.

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I will let you have a copy of the note of the meeting of Permanent Secretaries as soon as it is available, and look forward to our talk on 27 May, in preparation for 28 May.

I am copying this to Robert Armstrong.

SRB

IAN BANCROFT
16 May 1980

MS.

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Service

PRIME MINISTER

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16/5

EFFICIENCY AND SIZE OF THE CIVIL SERVICE

On Tuesday the Prime Minister announced further steps to increase efficiency in and reduce the size of the Civil Service over the next four years.

Successive Governments have steadily added to the tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. The result is that staff numbers have grown over the years.

The Civil Service is at present 705,000 compared with 732,000 when the Government came into office last May. Our intention is to reduce this number still further - to 630,000 over the next four years. This would be the smallest Civil Service we have had since the war. Overall, the Government's plans will mean a reduction in the size of the Civil Service of 100,000 posts, representing an annual saving of some £600m on pay alone. About half these savings will be achieved from measures already announced before the Prime Minister's statement this week.

How are these new savings to be achieved?

All Ministers in charge of departments will now work out detailed plans for concentrating on essential functions, and making operations simpler and more efficient in their departments.

Are these cuts really necessary?

It is vital if we are once again to prosper as a nation that the burden of public sector costs is brought - and kept - under control. The Civil Service is a key element in the Government's drive to make the whole of the public sector much more cost conscious and cost-effective.

However, it is not the only one. It applies equally to local government and the nationalised industries. But it is for central government to set the example.

An attack on the Civil Service? Emphatically no. This country - and this Government - has been well-served by its Civil Service. Just because the Government wants to see a smaller Civil Service does not mean that we do not appreciate its qualities. But we must ensure that all the work it does is necessary for the country, is done the most efficient way, and represents good value for money for the taxpayer.

Changes like the ones now being made are bound to arouse feelings of insecurity and uncertainty among staff. It is vitally important therefore that the changes be put in their proper perspective. Some 80,000 people leave the Civil Service on retirement or resignation every year. It should therefore be possible to accommodate a reduction of 75,000 spread over four years without significant compulsory redundancy.

We shall be consulting fully with Civil Service unions about the way in which we implement our plans.

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

16 May 1980

✓ MAP
Civil Service

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Sir IAN BANCROFT

CIVIL SERVICE MANPOWER AND COSTS

1 Your office has kindly sent me a copy of the paper for your meeting tomorrow. In view of my intended involvement in the departmental reviews of functions, simplification and greater efficiency, may I ask you to consider the following points and make them on my behalf in the course of discussion?

2 First, I recognise that it is imperative to face up to the logic of the 630,000 figure and its implications for the next financial year. But I very firmly believe that the emphasis of the review as a whole must be on an orderly examination of functions and of opportunities for reduction, simplification etc. (As the paper says - para 6(a) - there is time, for which as you know I have pressed throughout.) I regard orderliness as right in itself and very necessary from the viewpoint of dealing with the staff and the staff side. I am convinced that there are opportunities for reform and that the programme can and should help prepare the Service for the future.

3 Secondly, as I said in my minute to the Prime Minister of 18 April, I believe that the issues should be prepared for each Minister and therefore his Permanent Secretary too by an official of proven aptitude for action. I think that this is crucially important, but I should emphasise once again, in case there is any misunderstanding, that I do not see it as diminishing in any way the role or standing of the Permanent Secretary: the point is simply that the job is a big one and although the Permanent Secretary must be responsible for the plan eventually put to his Minister, he must look to a strong official to take the lead for him. This might be the PEO, but I suspect that designating an official for the purpose may be the better course, because it is going to be a very demanding assignment.

4 Thirdly, may I suggest a variation on the scheme of sorties from CSD in para 10 of the paper? While those could be very helpful at the right point, I think that there would be much to be said for first inviting Permanent Secretaries to think about what Mr Pym in his minute to the Prime Minister of 30 April called a "rationale" or "longer term strategy" and to send their PEOs or the officials designated armed with ideas to a conference with CSD, perhaps chaired by one of your Ministers.

5 This would help ensure a strong departmental input to thinking about and planning for the departmental reviews and the contribution to be made to them from the centre. It should lead also to a clear understanding of the general aims and coverage of the exercise as a whole, its timing and what each department is to do, both in conformity with others and independently on its own account.

6 Fourthly, there is the part I can most helpfully play myself. I should be glad to know what you yourself think about this, but you might tell the Permanent Secretaries that I will do my best to help anyone who asks. As you know, I had a very useful session with Sir Douglas Lovelock and his senior colleagues at Customs recently; I shall also be going to the Inland Revenue at Sir Lawrence Airey's suggestion and to DHSS for a meeting with Mr Otton and the senior Social Security people. All these sessions are by invitation, which I find very helpful.

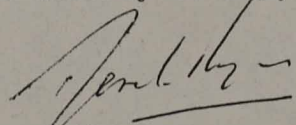
7 More generally, I shall touch base with the Prime Minister at an appropriate time to check whether there are any particular ways in which she would like me to help. I shall in any case try to produce quickly a summary note on experience so far with the projects and scrutinies. And I am seeing the PEOs at their conference on 28 May.

8 Finally, I think that this may well be the time to tackle some of the very large questions left over from earlier times and some of the "unthinkables". Not all may be amenable to early treatment, of course. You no doubt have a list, but two which occurred to me are things like the staffing of the revenue departments and the DE/DHSS/MSC complex.

9 I mention the revenue departments less in their own right than to raise the general question of complementing formulas: should the prevailing wisdoms go unchallenged. There is now a scrutiny in the unemployment benefit/benefits for the unemployed area, which is difficult but promising, but the point I want to make is that I think that we should be chary about regarding any organisational cause of duplication or overlap as off limits.

10 I think it would be helpful - certainly to me - for us to have another talk soon, especially in preparation for the 28 May Permanent Secretaries' meeting.

11 I am copying this to Sir Robert Armstrong who is of course at liberty to copy it also to Mr Ibbs if he wishes.


Derek Rayner
15 May 1980

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CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ

Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

cc PS/Lord President
PS/Minister of State
PS/2nd Perm Sec
Mr Wilding + pps
Mr Wollen
DPL
Manpower File

David Wright Esq
Private Secretary to
Sir Robert Armstrong KCB CVO
Cabinet Office
Whitehall
LONDON SW1

13 May 1980

Dear David,

CIVIL SERVICE MANPOWER

As you know, in response to the discussion at last week's Permanent Secretaries meeting, Sir Ian Bancroft has arranged for Permanent Secretaries to be called together on Friday 16 May (10.00am) to discuss the next steps to be taken to follow-up the Cabinet decision on Civil Service manpower. The decision was announced by the Prime Minister today. For convenience, I attach a copy of the final draft of the announcement.

To assist the discussion I also attach a note by CSD officials about the implications of the Government's decision. This invites Permanent Secretaries' views on how the problems set out in the paper should be best resolved.

Finally may I ask you to note the following administrative points. First, Horseguards Parade will be closed for parking and access on the morning of 16 May, because of rehearsals for Trooping the Colour. I am afraid that we will therefore have to ask Permanent Secretaries to enter CSD by the main entrance in the Mall. They may like to allow a little more time than usual to get here. Second, because of the likely disturbance from the rehearsal Sir Ian Bancroft has decided to hold the meeting in Room 1/60. This is just along the corridor from Sir Ian Bancroft's room. We expect the meeting to last about 1½ to 2 hours.

I am copying this to those invited to the meeting and to substitutes where we have been notified of their attendance.

Yours sincerely,
David

DAVID LAUGHRIN
Private Secretary

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The decision taken by Ministers on 1 May laid down a target of 630,000 by 1 April 1984.

2. We calculate that the effect of the earlier decisions should be roughly as follows:-

(a) The main provision in the Estimates for 1980-81, taking account of this year's slice of the Lord President's 6 December savings, but before taking account of the $2\frac{1}{2}\%$ cut, was 713,000.

(b) This year's cut of $2\frac{1}{2}\%$ (effectively 2.3%) will not all be taken in staff numbers. But at 705,000, the Service is at present over 1% below the estimates provision. Taking these two factors together, the likely prospective size of the Service on 1 April 1981 is not much over 690,000.

(c) The $2\frac{1}{2}\%$ cut is to be carried forward into later years. In addition, there will be about 23,000 posts still to come from the firm savings announced on 6 December.

So the cuts so far should, by themselves, reduce the Service well below 670,000 by 1 April 1984. But the latest forecasts for unemployment etc point to offsetting growth of some 9,000 over the same period - say, a net result of around 675,000.

3. If Ministers had accepted the proposal for progressive cuts of $2\frac{1}{2}\%$ in all departments, that would just about have brought

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us to the target figure of 630,000 by April 1984 (after taking account of the likely offsetting growth). But it would have left little or nothing in the proposed contingency margin to cope with any growth larger than that now proposed. Ministers concluded that the contingency margin might need to be greater. If we increase the target reduction in order to take account of this conclusion and go for 620,000 (ie a contingency margin of 10,000 in addition to the 9,000 growth currently forecast), then the additional reduction we need, over and above those listed in paragraph 2, is 55,000 or nearly 8% of the expected starting level for 1981-82. On a contracting base, this is appreciably higher than $2\frac{1}{2}\%$ per annum.

4. Ministers decided further that there should be flexibility both as to timing and as to distribution between departments; they also however enjoined the Minister of State, CSD, to keep up the momentum. A pattern of reduction which made 1981-82 a fallow year, with an overall drop markedly smaller than that in 1980-81 seems most unlikely to be acceptable. But if some departments are to be reduced by much less than the average and some are to make their savings only towards the end of the period, an acceptable pattern of rundown overall may well mean that others have to make very large reductions in 1981-82 - quite possibly of 5% or even more in addition to what has already been decided.

5. At the same time we clearly face the prospect of severe trouble in morale and industrial relations. What happens to pay will be crucial. And it is quite clear that it will not be possible, even if it were tolerable in industrial relations

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terms, to add a volume squeeze on top of planned cuts of the order discussed above in order to reduce the cost of pay settlements. It will be essential both to achieve pay settlements which are regarded by the staff as tolerably fair and to take credit for the planned cuts, as necessary, as offset for their cost.

6. We therefore face a formidable problem. On the other hand:-

(a) we have time in which to solve it, provided that we get ahead quickly; *but also in a orderly way.*

(b) the further policy studies and reviews left over from the 6 December decision could make quite a large contribution, and will of course count. A lot will depend, in particular, on the outcome of the 3 major reviews in MOD and the policy studies in DHSS;

(c) staff inspections and Rayner reviews continue to provide evidence that unnecessary procedures and over-manning still abound.

7. Clearly, we shall have to choose priorities and concentrate the available talent and resources on the manpower target. In following up Annexes D^{*} and E[†] of the Minister of State's recent paper, CSD will concentrate on those items which will best help to reduce numbers. *† Use of the grading structure.*

** Staff inspection + cutting cost of Service-wide activities.*

8. A recent study of staff inspection in 4 departments shows that much could be done to improve its cutting edge.

We shall need to make sure that the use of this valuable

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resource is also concentrated on the manpower target. CSD will put forward proposals very shortly.

9. The work on revising the public interest criteria for early retirement will also be given priority; so far however only one or two departments have provided CSD with the chapter and verse on the cases which fall outside the existing criteria.

10. As regards next steps, the immediate needs are:-

(a) to take stock of the possible scope for savings in each department and to draw up a provisional plan;

(b) to consider, in particular, what can be done in 1981-82.

CSD Ministers will need to report back to Cabinet before the Summer Recess. Ministers in charge of departments will probably be asked accordingly to report on their plans by about 10 July.

like Nazis!

Permanent Secretaries might, as a first step, find it useful to discuss the situation in their departments with the CSD, and it is suggested that Sir John Herbecq, Mr Wilding and Mr Bamfield (perming 2 out of 3) should pay a quick round of visits to the major departments during the next four weeks.

11. It would be very helpful to have Permanent Secretaries' views on the problem set out above and the best method of tackling it.

15 MAY 1980

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6 7 8 9

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PRIME MINISTER

The Civil Service

statement went

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sidelined one or

two passages

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THE CIVIL SERVICE

3.38 p.m.

Lord SOAMES: My Lords, with the leave of the House I will now repeat a Statement being made in another place by my right honourable friend the Prime Minister on the efficiency and size of the Civil Service. The Statement is as follows:

"The Government have been reviewing the efficiency of the Civil Service in the light of experience gained in our first year in office. The work of the Civil Service divides broadly into two areas. The first is the formulation of policy and the direct support for Ministers in Parliament. The second, on which the great majority of civil servants are engaged, is carrying out the executive tasks which flow from the Government's policies in the manner and to the extent decided by Ministers.

"In the past, Governments have progressively increased the number of tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. Consequently, staff numbers have grown over the years. This Government are committed both to a reduction in tasks and to better management. We believe that we should now concentrate on simplifying the work and doing it more efficiently. The studies which departments have already carried out, including those in conjunction with Sir Derek Rayner, have demonstrated clearly the scope for this.

"All Ministers in charge of departments will now work out detailed plans for concentrating on essential functions, and making operations simpler and more efficient in their departments. The preparation of these plans will be co-ordinated by my noble friend the Lord President of the Council.

"When the Government took office, the size of the Civil Service was 732,000. As a result of the steps we have already taken, it is now 705,000. We intend now to bring the number down to about 630,000 over the next four years.

"I recognise that contracting the size of Government always causes staff both fears of insecurity and genuine anxiety lest important work should suffer. The Government are allowing time to produce the best possible plans, to take account of the legitimate interests of the staff and to encourage them to involve themselves in drawing up proposals for reform. I stress that each year some 80,000 people leave the Civil Service on retirement or resignation. It should therefore be possible to accommodate a reduction of 75,000 spread over four years without significant compulsory redundancy. We shall of course be consulting the Civil Service unions about implementing our plans.

"My experience from visiting departments, and that of Ministers and Sir Derek Rayner, is that the staff want to work in, and for, an efficient organisation. I have been particularly impressed by the quality and enthusiasm of the young people I have met. They want more personal responsibility for providing the country with good value for money.

"It is the Government's job to ensure that the structure of the Civil Service, its working methods and the rewards it offers for success bring on the right kinds of talent; give it scope for personal initiative; and offer conditions which promote loyalty and commitment.

"I believe that the great majority of civil servants will welcome the changes which I have described."

My Lords, that concludes the Statement.

3.42 p.m.

Lord PEART: My Lords, I am grateful for the Statement repeated by the Lord President. The Statement has of course been made by the Prime Minister in another place, and that emphasises the importance of it. The noble Lord said:

"In the past, Governments have progressively increased the number of tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency".

Surely it is not the Civil Service who are at fault here, but rather Governments—whatever Governments have been in power—over a long period. I think that it is wrong to blame the civil servants in that respect.

There has been considerable press speculation about the further cuts in the Civil Service, and the Government have already made further cutbacks. When they came into office they introduced a ban on recruitment, which led to the loss of 20,000 posts. On 6th December last year they announced the cutting of a further 39,000 posts, and the pay settlement announced on 14th March included further reductions averaging 2½ per cent. to reconcile pay research and other pay bargaining arrangements, with a cash limit. This will amount to 15,000 to 20,000 jobs.

I should like to know more details relating to each department. I see no reason why the Government should not have given these details. I know that the noble Lord has been very busy elsewhere, and I am not chiding him. I blame the Prime Minister here. I believe that more information should have been given, and I should like to know whether the House will be able to learn of the percentage cuts to be made in each department. I think of my own former Ministry—and the noble Lord's former Ministry—the Ministry of Agriculture. I recall when that Ministry was attacked, and indeed the Agricultural Advisory Service was considerably harmed. Not only was it a useful service to the farming community; it was also a model for advisory services all over the world. I hope that we shall

be given more details. I am sorry that the Statement lacks details and precision. There may well be a debate on this matter in another place, and perhaps Ministers will have to indicate what is to happen to specific departments.

It would be a tragedy if the morale of the Civil Service was affected. Morale is important. I have always considered our Civil Service one of the best in the world, but along with other organisations it has had to suffer attacks from people who decry public enterprise. After all, the civil servants make government work in the best sense. I hope that we shall be given much more detail about these proposals, and I regret that the Statement does not contain this.

Lord BYERS: My Lords, I am sure that the emphasis on simplifying the work of the Civil Service and carrying it out more efficiently is absolutely right. I am equally sure that the Government must have benefited greatly from the work of Sir Derek Rayner. Of course any reversal in the rate of growth is welcome. On the other hand, unlike the noble Lord, Lord Peart, I wonder whether the target of a reduction of 75,000 posts over a period of four years is not in fact unambitious. The fault here does not lie with the Civil Service; it lies with Governments. I wonder, whether, by reducing the number of tasks that we place upon the Civil Service, we could not in fact achieve an even greater reduction over this period.

I should like to ask two questions of the noble Lord the Leader of the House. First, when is it proposed to issue a further bulletin giving much more detail, particularly of the departments and organisations affected? For instance, is the Bank of England affected? Is the Foreign Office affected? We should like to know. Secondly, what arrangements will be made to ensure that the reductions in some departments are not offset by increases in others?

3.46 p.m.

Lord SOAMES: My Lords, I shall try to address myself to the questions of the noble Lords, Lord Peart and Lord Byers. I turn first to the questions of the noble Lord, Lord Peart. I hope that he did not get me wrong. I said:

"In the past, Governments have progressively increased the number of tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency."

That refers to Governments. I was not blaming the Civil Service in that regard, and I should like to make that absolutely clear. The noble Lord has been a member of a Government that has been guilty of this; so have I—and in our own department, too. I recall the years that I spent in Government in the fifties. At that time Ministers tended to leave the actual management of departments to their permanent Secretaries, and now the situation has grown to such a size that Ministers must take a grip of it themselves. This has not traditionally been done by Governments over the past years, since the war.

The noble Lord raised the question of morale. Here I quite agree with what was said. The noble Lord spoke of speculation in the press. I think that nothing is worse than speculation. Indeed, uncertainty is the worst enemy of morale. It was in order to make it clear at what the Government were aiming over the next four years that we thought it right to make an announcement to Parliament as soon as the figure had been decided.

I turn to the question of being more specific. In December when I announced what was, in effect, a cut of about 5 per cent. we were specific. At the time I said that there was more to come, and since then we have made the best judgment we could of the scope for further reductions over the next four years; that is, the four years from April 1980 to April 1984. We have not done this without evidence from, for example, Sir Derek Rayner's scrutinies and from staff inspection. I am not in a position to be more specific. We have been specific in regard to quite a lot, and as Ministers decide where savings are to be made, they will themselves make announcements to Parliament. There will of course be announcements to Parliament from time to time. The noble Lord, Lord Byers—

Lord PEART: My Lords, will the noble Lord forgive me for interrupting? Will there be a time limit in regard to announcements?

Lord SOAMES: My Lords, I do not think that I should like to commit my right honourable and honourable friends to any particular time limit regarding announcements. We announced quite a considerable chunk of reductions in the past, and we are now giving what we consider a proper figure at which to aim over the course of four years. I think that there will be announcements when Ministers feel it right to inform Parliament. This involves not just the Civil Service Department, but individual Ministers in charge of their respective departments; and I think that there will be announcements when they think it right to inform Parliament.

The noble Lord, Lord Byers, wondered whether we were going far enough in aiming at 630,000. One can never be absolutely sure. It will be a considerable reduction. As I say, when we took office a year ago it was over 730,000. It is a reduction of more than 100,000 over four years. We think that this is about the right figure. I cannot be absolutely specific or precise, but we thought it right to inform Parliament that after a good deal of heart-searching and examination in every department this, we thought, was about the figure for which it would be right to aim.

Lord PLANT: My Lords, I think the Civil Service will receive this Statement with great dismay, and what the noble Lord, Lord Byers, has said with even greater dismay. What the noble Lord, Lord Soames, has said will not be welcomed by the Civil Service. I am not

conscious that there are many young clerical officers and executive officers straining at the leash and reaching up to do better work, for this reason. It is only recently that we had the inquiry by the noble Lord, Lord Fulton, which in my view was somewhat of a mistake. There, the words used were very similar to those which the noble Lord, Lord Soames, has used. The Civil Service has suffered many commissions, Royal Commissions and inquiries into their efficiency over the last 35 years, and now, apparently, it is to suffer another one. Of course you can save staff, but what about the black economy? What about the unfortunate position in social security, and the checking that is needed? What about the customs officers, with more work to do in preventing arms and drugs coming into the country? If we reduce the size of the Civil Service, we are not going to give as good and effective a service to the public as we are giving now; and if we take short-cuts then of course we can reduce the size of the Civil Service, but at the same time we shall increase the black economy and, I believe, give less service to the public.

Lord SOAMES: My Lords, I think the noble Lord, Lord Plant, generalises a bit when he says that the Civil Service will be dismayed by this. There may well be some civil servants who are, but I think there will be a lot who are not. I think there are a lot who will be only too glad to see and feel that they are working in an effective and efficient machine which has been slimmed down and which has the prospect of being able to do its task efficiently and without undue waste. I think a lot of them will think this. In fact, I know a lot of them do and will. But this is not to say that all of them will, and this is not to say that there will not be personal anxieties. I appreciate that; but I really do not think it is right to say that it will not be well received.

I am sorry but I am reminded that I did not answer one of the questions which the noble Lord, Lord Byers, asked me, and the noble Lord, Lord Plant, as well, as to the position in areas where there will need to be increases in the number of civil servants. This, of course, we have needed to take into account. About 11,000 more will be probably needed this coming year—the figure may well be of the order of 10,000 or 11,000; I do not know exactly—for a number of reasons; but this we have taken into account over the course of the next four years. It is certainly not our intention to increase the black economy, but the argument that by increasing the number of civil servants in any particular area you necessarily catch more people who are trying to do evil things is not always true. Certainly it is something which has to be taken into account, and I can assure the noble Lord that it has been taken into account in our assessment.

Lord SHINWELL: My Lords, may I ask the noble Lord the Leader of the House whether he is aware, as he must be aware, that for several years now, in certain quarters, there has been a demand

for a reduction in the number of civil servants without any logical reason for it being offered? There has been almost a passion for cutting down. He is aware, no doubt, that in the mining industry a few years ago the notion was conceived that in order to improve the industry and make it efficient the best thing to do was to close down a large number of pits—only to discover, subsequently, that that was a blunder. Is he not aware that when Dr. Beeching was entrusted with the task of promoting greater efficiency in the railway services he cut out a vast number of branch lines, only to discover that it adversely affected the people who wanted to use transport in the ordinary fashion?

I ask the noble Lord these questions for this reason. Does he not think that the Government should exercise a little caution in this matter? Is he not aware that those of us who have been Ministers of the Crown over a period of years have always had a great pride in the Civil Service? Occasionally there have been complaints, but more often than not we found ourselves understaffed, not overmanned. Why is it that civil servants are required? Is it because of Government demand?

The answer is, Yes. But why do Governments demand more civil servants? It is because of Questions asked in another place and in your Lordships' House, and demands that are made by institutions all over the country—the CBI, the TUC and a vast number of other organisations. That is why we require civil servants. Would it not be better, before a plan is conceived by consultation with Ministers of the Crown, for the organisations of civil servants to be asked themselves, an effort to promote efficiency, to consider the situation and to suggest a plan, and for the Government to consider those suggestions of the civil servants before conceiving a plan and then asking the civil servants to accept it?

Lord SOAMES: My Lords, I think it is a false analogy to look at the Civil Service in the same light as closing down pits or closing down railway lines. They are really not the same. What we are seeking to have here is a Civil Service which can do what government needs of it and can serve the nation well; but I do not think that anybody, not least the Civil Service itself, would like to think that there are more civil servants than are necessary to do the job. This is not an exact science. I do not know what the noble Lord thinks should be the right size for the Civil Service. What we are saying is that, taking into account the examination which we have given to this over a year in office, we think that 630,000 after four years is the right figure at which to aim. I hope that the noble Lord will believe us in this, that this, we think, is in the best interests of the nation, including the Government. I assure him that his Questions will still be answered, as will the CBI's and those by all the other organisations. But it is not just that. Of course, it is a very broad area, industrial and non-industrial, that we are covering here. As to the civil servants

being asked to co-operate in this and to make suggestions themselves, I assure the noble Lord that this is exactly what is happening.

Lord CAMPBELL of CROY: My Lords, while supporting the principles which my noble friend has put forward, may I ask two questions? First, will the Government also relate this to examining carefully the tasks which the Civil Service are being asked to carry out? Following up what the noble Lord, Lord Peart, said, I am sure that Governments have asked civil servants to do more than their job has required them to do in certain cases. My second question is: Will the Government examine the classification which is used for civil servants? For example, the Post Office and all its workers were at one time civil servants, and I understand that when a change took place they ceased to be civil servants, causing a significant reduction in the total numbers. At present, the equivalent of this is in the Home Office and the Scottish Office where a very large proportion of the civil servants are prison warders. At the Scottish Office, it was my duty to examine the tasks of civil servants in relation to their numbers and I found that about one-third were prison warders. I was also hoping for the police to be successful in catching criminals. So on the one hand one was being successful with the police force and, on the other hand, it meant larger numbers of those who are technically civil servants. I ask that the classification of civil servants should be looked at so that it roughly corresponds with what most people in the country regard as civil servants.

Lord SOAMES: My Lords, in answer to my noble friend, of course the tasks performed are a vital element in this connection. This is not just a question of doing things better; it is also one of how many things have to be done, of examining whether or not we are asking for an unnecessary number of things to be done or for some things to be done in a too gold-plated and Rolls-Royce fashion, and whether we could not do things more cheaply. I think the nation will be pleased about this. We are not doing this just for cost considerations, but cost has its importance. A 10 per cent. reduction in the size of the Civil Service is equal to about £500 million a year of taxpayers' money. The civil servants themselves think that they owe it to the taxpayer that it should be done rightly, and properly. I assure my noble friend that we are not intending to do this by any sleight of hand, by saying that from now on there will be no prison warders counted as civil servants and that therefore we have reduced the size of the Civil Service by x amount. I assure him that that will not be our intention.

Lord ROSS of MARNOCK: My Lords, will the Government give us a little more information? It is a bit much to come along and say, "We know how many we are aiming for, but we do not know how we are going to do it". As does the noble Lord, Lord Campbell of Croy, I recall the

Scottish Office very well. Are we going to cut anything at all in the prison service either in Scotland or in England?—because, if not, it means a heavier burden of cuts elsewhere. There can be no suggestion that this has never been done before. I remember that we had it when Mr. Roy Jenkins was Chancellor of the Exchequer, when we were going to cut the "Mrs. Mopps" in Whitehall. And how much money did we save? We then employed contract labour and probably got not such a good service at probably even more cost.

I am also concerned to know not just the savings in cost but also that we tell the public of the consequences. I can remember very considerable concern—and I do not know if it is any better in the Scottish Office now—about the delays that people experienced in waiting for public inquiries, not big public inquiries but small ones, in relation to some change affecting a house. Sometimes, it was over 18 months. If we are going to make cuts, then the public will have to wait for essential services. As my noble friend Lord Shinwell said, it is a popular cry: "Cut the Civil Service"—but we should tell the people the consequences. The Government cannot do that, because they do not know where they are going to cut. It is a bit much taking Parliament for granted in your Lordships' House by saying, "We are cutting by another 75,000, but we do not know where". We ought to have a proper plan before us.

Lord SOAMES: My Lords, I beg to differ from the noble Lord in that we have already expressed a lot of specific intentions where reductions are concerned. The saving of some 40,000 posts which I announced early in December last year related specifically to various departments where the cuts would fall. I agree with the noble Lord that there is no question of everybody doing an exact 10 per cent. over four years. That cannot be so. Some will cut less, some will have no cuts at all, and others we hope may be able to cut more than that. I hope the House does not think that the Government should

never seek to give information of where we are intending to go until we are ready with every detail of how we are going to get there. I assure the noble Lord that, as time goes on, announcements will be made to the House.

Lord PEART: My Lords, if the noble Lord will forgive me one question, there is no mention of the industrial Civil Service. They are important from the point of view of defence in our dockyards. Why are they not included in the Statement?

Lord SOAMES: My Lords, this will apply both to the industrials and to the non-industrials.

Lord BALLANTRAE: My Lords, as a fool I rush in where so many distinguished angels have been treading. I want to make three points. The first is that I think there was far more to the analogies made by the noble Lord, Lord Shinwell, than the noble Lord, Lord Soames, was

prepared to concede. There is a lot to be learned from some excessive cuts made in the past. My second point is that we must all concede that the Civil Service and local government services have swollen far beyond what is tolerable; and I think it is only right that we should look at this and set a figure towards amending it, a figure from which we can withdraw if it proves necessary. My third and last point is that we must all be aware of some fields where staffs have swollen ludicrously in proportion; and that one is the field of planning. You must now ask permission to put a window in your house. I have been waiting for 10 months for permission to put up a sign over a charity of which I am the chairman. This is one field, and there are many other fields where the "chop" is long overdue.

Lord SOAMES: My Lords, what the noble Lord was talking of when he mentioned planning was an area which falls within local government. This is not what I am talking of today, I am speaking of the Civil Service and Central Government. But I do not in any way disagree with what the noble Lord has said. There are great areas in local government too where staffs have increased beyond all recognition over the years and the rate-payers are paying very highly for it. We would hope that the same sort of

exercise will be done in local government as well.

Lord CLEDWYN of PENRHOS: My Lords, the noble Lord said that the Government propose to do two things; first, to reduce the size of the Civil Service and, secondly, to remove inefficiency in the Civil Service. Can the noble Lord indicate to the House where, in his view and in the Government's view, this inefficiency occurs and precisely what plans the Government have to improve the efficiency of the service?

Lord SOAMES: My Lords, to improve efficiency, rather than to remove inefficiency, is the best way to put it. We all know that in an organisation of 700,000 people there is always room for improvement in efficiency.

Baroness GAITSKELL: My Lords, may I ask whether the way to increase efficiency is to build up a bigger and bigger army of unemployed people? That is the very simple question that I ask the noble Lord.

Lord SOAMES: No, my Lords, I would not agree with the noble Baroness that that is our thought, or that it would be right. The object is not to remove employment but to have an efficient Civil Service.

Lord LEATHERLAND: My Lords, may I ask the noble Lord the Leader of the House whether the Government can circulate a detailed list showing, department by department, what reductions are being made? Will it show whether any reductions are being made, for example, in the number of income tax collectors?

Lord SOAMES: My Lords, I have no doubt that the Inland Revenue is decreasing in size; but the size of the Inland Revenue depends very much on the structure of taxation. As to the publication, I will bear in mind what the noble Lord has said. Perhaps he will forgive me for not answering immediately.

My Lords, would not the House think that there is a good deal of work to get through—not that I am seeking to defend myself; for I rather enjoy it—and that it would be best to continue with that work?

Original in HR.



159
1000

10 DOWNING STREET

Civil Service

THE PRIME MINISTER

13 May 1980

Dear Mr. Wigglesworth,

Thank you for your letter of 28 April in which you referred to the recent comments in the Press about the future of the Civil Service Department and about our future policy on Civil Service manpower.

As Sir Ian Bancroft said in the Notice to which you refer, the organisation of the central functions of Government is, and will doubtless continue to be, the subject of interest and comment both within and outside Parliament. Naturally, I keep under review the organisation of the central departments, just as I do the Machinery of Government in general. If and when I propose to make changes in the central or other departments, I will inform the House. But, in keeping with the practice of my predecessors, I do not propose to respond to Press reports of a speculative character about Machinery of Government issues; and I have nothing to add, therefore, to the points made in Sir Ian Bancroft's Notice to the staff of CSD.

You also referred in your letter to reports of the Government's intention to reduce numbers in the Civil Service to 600,000, whilst excluding the Ministry of Defence and the Home Office from cuts. These reports were both inaccurate and premature. As I informed the House today, the Government has reviewed the manpower position in the Civil Service, and has decided that there is scope for

/savings

JS

savings additional to those already announced. The judgement we have made is that it should be possible to reduce the size of the Civil Service to no more than 630,000 by 1 April 1984. As I said in the House, not all departments will be affected to the same extent, but all Ministers in charge of departments will draw up plans with this aim in mind.

Yours sincerely
Margaret Thatcher

Ian Wrigglesworth, Esq., M.P.

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, 13 May 1980,
columns 1050-1061: "Civil Service"

Signed Wayland Date 14 January 2010

PREM Records Team



file 16
adv. T. Kaye
Civil Service

10 DOWNING STREET

From the Principal Private Secretary

13 May 1980

STATEMENT ON THE CIVIL SERVICE

The Prime Minister has now decided to make her statement on the Civil Service this afternoon. I enclose for information a copy of the text which she has now agreed.

I am sending copies of this letter together with the statement to the Private Secretaries to members of the Cabinet, including the Minister for Transport, and to Geoffrey Green and David Laughrin (Civil Service Department), Murdo Maclean (Chief Whip's Office), Bill Beckett (Law Officers' Department), Mary Howat (Lord Advocate's Department) and to David Wright (Cabinet Office).

C. A. WHITMORE

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

FINAL

With permission, Mr. Speaker, I should like to make a statement on the efficiency and size of the Civil Service.

The Government have been reviewing the efficiency of the Civil Service in the light of experience gained in our first year in office. The work of the Civil Service divides broadly into two areas. The first is the formulation of policy and the direct support for Ministers in Parliament. The second, on which the great majority of civil servants are engaged, is carrying out the executive tasks which flow from the Government's policies in the manner and to the extent decided by Ministers.

In the past, Governments have progressively increased the number of tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. Consequently staff numbers have grown over the years. This Government is committed both to a reduction in tasks and to better management. We believe that we should now concentrate on simplifying the work and doing it more efficiently. The studies which Departments have already carried out, including those in conjunction with Sir Derek Rayner, have demonstrated clearly the scope for this.

All Ministers in charge of Departments will now work out detailed plans for concentrating on essential functions, and making operations simpler and more efficient in their Departments. The preparation of these plans will be co-ordinated by my noble friend, the Lord President of the Council.

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When the Government took office the size of the Civil Service was 732,000. As a result of the steps we have already taken it is now 705,000. We intend now to bring the number down to about 630,000 over the next four years.

I recognise that contracting the size of Government always causes staff both fears of insecurity and genuine anxiety lest important work should suffer. The Government are allowing time to produce the best possible plans, to take account of the legitimate interests of the staff and to encourage them to involve themselves in drawing up proposals for reform. I stress that each year some 80,000 people leave the Civil Service on retirement or resignation. It should therefore be possible to accommodate a reduction of 75,000 spread over four years without significant compulsory redundancy. We shall of course be consulting the Civil Service Unions about implementing our plans.

My experience from visiting departments and that of Ministers and Sir Derek Rayner is that the staff want to work in and for an efficient organisation. I have been particularly impressed by the quality and enthusiasm of the young people I have met. They want more personal responsibility for providing the country with good value for money.

/ It is

It is the Government's job to ensure that the structure of the Civil Service, its working methods and the rewards it offers for success bring on the right kinds of talent; give it scope for personal initiative; and offer conditions which promote loyalty and commitment.

I believe that the great majority of civil servants will welcome the changes which I have described.

13.5.80

'THE GREAT RAPE OF THE CIVIL SERVICE'

FORECAST OF 55,000 CIVIL SERVICE JOBS BEING AXED BY THE GOVERNMENT BETWEEN NOW AND 1983 WAS MADE TODAY BY THE LEADER OF THE 225,000-STRONG CIVIL AND PUBLIC SERVICES ASSOCIATION, MR KEN THOMAS, WHO DESCRIBED IT AS 'THE GREAT RAPE OF THE CIVIL SERVICE.'

HE WAS SPEAKING AT THE UNION'S CONFERENCE IN SOUTHPORT, ONLY HOURS BEFORE PRIME MINISTER MARGARET THATCHER IS EXPECTED TO ANNOUNCE CUTS IN THE PUBLIC SECTOR.

MR THOMAS SAID: 'IT IS NOT SUFFICIENT THAT 27,000 CIVIL SERVICE JOBS DISAPPEARED LAST YEAR; THAT AT LEAST ANOTHER 40,000 WILL GO THE SAME WAY UNDER THE OPTIONS EXERCISED BY 1983, AND ADDITIONALLY A FURTHER 15,000 POSTS WILL BE STRUCK OFF THIS FINANCIAL YEAR.'
(MORE FOLLOWS)

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1100

2 - AXE

A SUBSTANTIAL REDUCTION IN PUBLIC EXPENDITURE WAS A MAJOR FEATURE OF THE GOVERNMENT'S STRATEGY, HE SAID.

'WHATEVER ELSE HAPPENS, THE POLITICS OF HATRED TOWARDS THE PUBLIC SERVICE, AS ESPoused BY THIS GOVERNMENT, WILL INSIST THAT CIVIL SERVICE NUMBERS MUST BE DRAMATICALLY REDUCED, SINCE THIS IS THE KEY TO THEIR POPULAR APPEAL,' HE SAID.

MEANWHILE, THE GOVERNMENT, AND THE CIVIL SERVICE DEPARTMENT WERE TODAY WARNED BY ANOTHER UNION LEADER THAT IF THEY CONTINUE ON THEIR PRESENT COURSE 'SOONER OR LATER CONFRONTATION WILL BECOME INEVITABLE.'

MR WILLIAM MCCALL, GENERAL SECRETARY OF THE INSTITUTION OF PROFESSIONAL CIVIL SERVANTS, TOLD DELEGATES AT THE ANNUAL CONFERENCE IN EASTBOURNE THAT THEY MET 'IN CIRCUMSTANCES OF DEVELOPMENT CRISIS.'

PAY, CASH LIMITS AND THE EXPECTED ANNOUNCEMENT THIS AFTERNOON BY THE PRIME MINISTER OF FURTHER CIVIL SERVICE STAFF CUTS OF BETWEEN 50,000 AND 70,000 LED TO MR MCCALL'S ATTACK.

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1102

cc MAP
David Higgins



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

From the Private Secretary to
the Minister of State

12 May 1980

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

Dear Clive,

STATEMENT ON THE CIVIL SERVICE

Thank you for your letter of 12 May.

Mr Channon has discussed the enclosed draft with the Lord President. They are generally well content with it, but have two suggestions to offer.

The first is that it might be better not to imply that policy work is quite separate from the management task, has no effect upon it and has been very well done (while management has been poor). On reflection, Mr Channon is not sure that this is altogether true. In order to deal with this point and perhaps also slightly to improve the ordering of the draft, he suggests that the first page might read as in the enclosed sheet.

Secondly, Mr Channon does not think that the last two sentences of all are really alternatives, and thinks that it is well worthwhile to include both, but preferably in the reverse order. He thought that had been suggested at the meeting. Mr Channon asks me to say that the Lord President and he do not feel very strongly on these points but are inclined to think that they are worth taking in.

A copy of this letter goes to Derek Rayner.

Yours sincerely,
Buckley

for G E T GREEN



cc Mr. Wolfson
Mr. Gow
Mr. Ingham
Mr. Sanders
Mr. Pattison

10 DOWNING STREET

From the Principal Private Secretary

12 May 1980

Dear Secretary,

STATEMENT ON THE CIVIL SERVICE

The Prime Minister was grateful to your Minister for coming to see her this afternoon to discuss the draft statement on the efficiency and size of the Civil Service which she is proposing to make tomorrow.

As agreed at that meeting, I now attach the latest version of the statement which reflects the changes agreed by the Prime Minister in discussion with your Minister and Sir Derek Rayner. The only point to which I think I need draw particular attention is that the draft contains alternative versions of the last sentence of all.

The Prime Minister would be grateful for Mr. Channon's comments by 1000 tomorrow, Tuesday 13 May, at the very latest.

She would also welcome the comments of Sir Derek Rayner, to whom I am sending a copy of this letter and of the draft statement.

Yours wv,

Alva Whittam

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

DRAFT

STATEMENT BY THE PRIME MINISTER ON THE CIVIL SERVICE

With permission, Mr. Speaker, I should like to make a statement on the efficiency and size of the Civil Service.

The Government have been reviewing the efficiency of the Civil Service in the light of experience gained in our first year in office. The work of the Civil Service divides broadly into two areas. The first is the formulation of policy and the direct support of Ministers in Parliament. This work, performed with great skill, is only part of their duties. The second, on which the great majority of Civil Servants are engaged, is carrying out the executive tasks in the manner and to the extent decided by the Government of the day.

The Government believe that hitherto the management of these tasks has not received as much attention as policy work. The studies which Departments have already carried out in conjunction with Sir Derek Rayner have demonstrated clearly the scope for more effective management.

All Ministers in charge of Departments will now work out detailed plans for reducing functions, simplifying work and making operations more efficient in their Departments. These plans will be coordinated by my noble friend, the Lord President of the Council.

In the past Governments have progressively increased the number of tasks the Civil Service is asked to do. Consequently staff numbers have grown over the years. This Government is committed both to a reduction in functions and to better management.

When the Government took office the Civil Service was 732,000 strong. As a result of the steps we have already taken it is now 705,000. We intend now to bring the size down to about 630,000 over the next four years. That will give the country the smallest Civil Service since the war.

/I recognise

I recognise that contracting the size of Government always causes staff both fears of insecurity and genuine anxiety lest important work should suffer to the detriment of the nation. The Government are allowing time to produce the best possible plans, to take account of the legitimate interests of the staff and to encourage them to involve themselves in drawing up proposals for reform. I stress that each year some 80,000 people leave the Civil Service on retirement or resignation. It ought therefore to be possible to accommodate a reduction of 75,000 spread over four years without significant compulsory redundancy. We shall of course be consulting the Civil Service Unions about implementing our plans.

I have now visited several Departments. My experience and that of Ministers and Sir Derek Rayner is that most staff want to work in and for an efficient organisation. I have been particularly impressed by the quality and enthusiasm of the young people I have met. They, and many of their older colleagues, want more personal responsibility for providing the country with good value for money.

It is the Government's job to ensure that the structure of the Civil Service, its working methods and the rewards it offers for success bring on the right kinds of talent; give it scope for personal initiative; and offer conditions which promote loyalty and commitment. To remove uncertainty in the Civil Service itself I think it right to make this statement now. I do not underestimate the difficulty of the task on which we have embarked, but under determined leadership from both Ministers and senior members of the Civil Service I believe we have the ability to carry it through. I

MANAGEMENT - IN CONFIDENCE

Mr WHITMORE

cc Sir Derek Rayner

STATEMENT ON THE CIVIL SERVICE

1 Sir Derek Rayner's comments on the draft statement enclosed with your letter of yesterday to Mr Green are as follows.

Para 2, third and fourth sentences

2 The draft might be thought to give too much primacy to the Civil Service as against the Ministerial function in policy and the unqualified phrase "performed with great skill" to be gratuitously - possibly insincerely - complimentary to higher grade staff compared with the flatter reference to "executive tasks" in the last sentence of the paragraph. So amend to read:

"The first is in direct support of Ministers, notably on legislation and the formulation of policy. This work [? , often performed with great skill,] is only part of its duties."

Para 3

3 There is a risk here that the Prime Minister may be heard and read as endorsing the way the higher grades go about their work without reservation. In the second sentence, Ministers rather than Departments should be cited. So amend to read:

"The Government believe that hitherto the management of these tasks has not received sufficient attention at a high level. The studies which Ministers have already carried .."

Para 4, second sentence

4 Amend to read: "The preparation of these plans ..."

Para 7

5 The last sentence looks like an afterthought. If it is necessary

to include it, given the content of the second sentence, it might be put in after the second sentence. Consultation should not be limited to "implementing our plans", but either extended to "preparing and implementing our plans" or simplified to "our plans":

"We shall be consulting the Civil Service Unions about
[? preparing and implementing] our plans."

Para 9

6 Sir Derek Rayner much prefers the second version of the last sentence to the first, which he thinks unnecessary, and the phrase "with [rather than 'under'] determined leadership".

Tailpiece

7 Sir DR is out of action with a heavy cold today and I would prefer not to bother him unless absolutely necessary.

8 Please forgive early morning DIY typing.

CP

C Priestley
13 May 1980

DRAFT

6

STATEMENT BY THE PRIME MINISTER ON THE CIVIL SERVICE

With permission, Mr Speaker, I should like to make a statement on the efficiency and size of the Civil Service.

The Government have been reviewing the efficiency of the Civil Service in the light of experience gained in our first year in office. The work of the Civil Service divides broadly into two areas. The first is the formulation of policy and the direct support of Ministers in Parliament. This work is only one part of the duties of the Service. The second, on which the great majority of civil servants are engaged, is carrying out the executive tasks which flow from the Government's policy in the manner and to the extent decided by Ministers.

In the past, Governments have progressively increased the number of tasks the Civil Service is asked to do without paying sufficient attention to the need for economy and efficiency. Consequently staff numbers have grown over the years. This Government is committed both to a reduction in tasks and to better management. We believe that we should now concentrate on simplifying the work and doing it more efficiently. The studies which Departments have already carried out, including those in conjunction with Sir Derek Rayner, have demonstrated clearly the scope for this.

concentrating on essential

All Ministers in charge of Departments will now work out detailed plans for ~~reducing~~ ^{consulting on essential} functions, ~~simplifying work~~ and making operations ^{simpler simpler and} more efficient in their Departments. These plans will be coordinated by my noble friend, the Lord President of the Council.

When the Government took office the Civil Service was 732,000 strong. As a result of the steps we have already taken it is now 705,000. We intend now to bring the size down to about 630,000 over the next four years. [That will give the country the smallest Civil Service since the war].

/I recognise

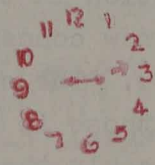
THE CIVIL SERVICE

The Government has been reviewing the civil service since 1964. It has been looking at the way the civil service is run and at the way it is financed. It has been looking at the way the civil service is organized and at the way it is staffed. It has been looking at the way the civil service is controlled and at the way it is supervised. It has been looking at the way the civil service is managed and at the way it is directed. It has been looking at the way the civil service is planned and at the way it is executed. It has been looking at the way the civil service is evaluated and at the way it is improved. It has been looking at the way the civil service is reformed and at the way it is renewed.

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12 MAY 1980



The Government has been reviewing the civil service since 1964. It has been looking at the way the civil service is run and at the way it is financed. It has been looking at the way the civil service is organized and at the way it is staffed. It has been looking at the way the civil service is controlled and at the way it is supervised. It has been looking at the way the civil service is managed and at the way it is directed. It has been looking at the way the civil service is planned and at the way it is executed. It has been looking at the way the civil service is evaluated and at the way it is improved. It has been looking at the way the civil service is reformed and at the way it is renewed.

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Extract from the Daily Star, 12 May 1980

THE 1,500 DELEGATES and officials arrive at the seaside town of Southport today for the start of the Civil and Public Services Association's annual conference in a mood of anger and bitterness.

Like other trade unionists attending their own conferences over the next few months, they will be assessing, in the light of their experience over the past 12 months, how to respond to this Government.

That the response will be hostile I have no doubt — trade unionists generally have little thanks to offer this Government. But a trade union like mine which represents low paid workers in the Civil Service, the Post Office and other public corporations is particularly exposed to the sharper end of Mrs Thatcher's new style Conservative administration.

Tory parties of the past have usually put private enterprise above collective care.

By doing so they have tried to reach down into that pioneering, aggressive and acquisitive part of us — that part which wants merely to be allowed to get on in life without interference from anyone.

Sympathy

It's an attractive manifesto but as we have sometimes learnt to our cost, it has its drawbacks.

It is also a national characteristic to have sympathy for the underdog which has expressed itself in demands for free medical care, decent and unpatronising provision for the old, equal educational opportunities, protection for the jobless, indeed everything which makes up what we now call the Welfare State.

The size of the public sector in general and the Civil Service in particular is, of course, directly

related to what sort of welfare state the electorate wants.

Therefore, it has always been foolish to imagine that public servants or to use the more favoured term, "bureaucrats" can be wiped out, leaving the whole structure of the welfare state intact, operating like the new computer-controlled car factory without a human being in sight.

Listening to some Government spokesmen, however, one gets the impression that they wish the success of this administration to be judged entirely by the number of civil servants who are put on the dole instead of paying it out.

It is against this background that delegates to the CPSA conference will be meeting. They, will, like thousands of others, be worried about their future — whether their

jobs will still be there next year.

I would not be surprised if the Government were to choose this week to announce their intention to cut Civil Service jobs by 70,000 before the next election, as forecast in many newspapers.

My members also will be worried whether next year's cash limits will be fixed at an absurdly low level—well below the expected very high rate of inflation.

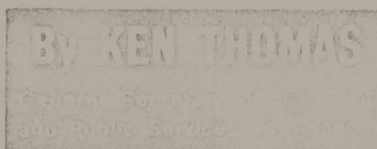
Hardship

As a result their pay will be effectively reduced and as they are low paid this will mean hardship.

After all, not all public servants have salaries similar to those offered to the new Chairman of the British Steel Corporation.

But to show no ill will,

LIFE IN THE SHADOW OF MAGGIE'S AXE



I am prepared to do a deal with Lazard Freres whereby they take on some jobless civil servants on the basis that if they do the partners of Lazards pay a modest sum into the public purse.

In that way this exchange between public and private sectors would be even more fruitful.

Mostly, however, the delegates to my conference will be bitter about a Government which flourishes in its abuse of its own public sector.

If their propagandists in some newspapers go much further, public servants will be treated as we once treated lepers.

As a contagion in the economy we will be isolated with bells around our necks for public appearances, so that citizens can be reminded that but for us they would all be prosperous and free.

If anyone believes this to be an exaggeration then they should be condemned, like me, to read all the Press cuttings that refer to civil servants.

Newspaper men once held private contests for the dullest headline. Shortly my modest contribution will be, "Only 100,000 civil servants sacked this week."

“We are worried about our jobs”

PRIME MINISTER

PA
MS

Civil Service Manpower Statement

1. The five Civil Service Unions start their Conference on Monday. These include CPSA. This strengthens the case for making the statement that day - it could appear devious later in the week.

2. You will presumably not wish to be personally involved in media follow-up. Bernard Ingham tells me that today the Lobby were very interested in reports of a statement by you. We have therefore put Mr. Channon on notice that you may want him to do the Lobby and/or TV and radio following the statement.

now attached -
MS

- MS
1. Draft in Friday's box:
 2. Briefing for supplementaries
- below

9 May 1980

MS



10 DOWNING STREET

From the Private Secretary

9 May 1980

C. (CSB) D/emp. VS
 HO WPSO
 LCO MAFF CDLO
 FLO D/emp. D/Trade
 HATT SO D/emp.
 DI WO BES
 MOD NIO
 WFO D/SS HATT(CS)
 PG

As you know, the Prime Minister intends to make a Statement in the House about efficiency and the size of the Civil Service, following Cabinet discussion of these matters on 1 May.

Her present intention is to do this on Monday next, 12 May. She will not, however, confirm the timing until Monday morning: it is still possible that the Statement may be postponed to Tuesday or Thursday.

I will let you know as early as possible on Monday of the decision on timing. I will also let you have the text as soon as it is finalised, and we will ensure that copies are sent to the Private Offices of members of the Cabinet and other recipients of this letter in advance. You will then be in touch with Departments at official level about arrangements for informing the Council of Civil Service Unions and Departmental Staff Sides of the contents of the Statement.

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), Bill Beckett (Law Officers' Department), Mary Howat (Lord Advocate's Department), David Laughrin (Civil Service Department) and David Wright (Cabinet Office).

MAP

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

Gar

PRIME MINISTER

Original plus enclosures
with Questions filed.

CSD have provided voluminous background material, recognising that your manpower statement could draw supplementaries on the whole range of civil service issues.

The notes are divided into the following sections:

- A Civil Service cuts
- B Future of CSD/Treasury
- C Rayner/efficiency questions
- D Personnel management issues
- E Recruitment
- F Civil Service pay and allowances
- G Pensions
- H Dispersal
- I Security/subversion/leaks/political affiliation

You will need to glance at all these, to see the range of questions which might be put to you. But the main areas are likely to be those covered in sections A,B and C. The points from the rest of the briefing most likely to arise are:

- treatment of those who join Day of Action protests
- 25% increase in civil service pay bill for 1980/81
- future of inflation-proofed pensions.

MAP

9 May 1980

CONFIDENTIAL



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Whitehall London SW1A 2AZ

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Minister of State

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

9 May 1980

Dear Mike

CIVIL SERVICE NUMBERS AND COSTS: PARLIAMENTARY
STATEMENT

... As Nick Sanders requested, I now attach briefing material for use when the Prime Minister makes the Statement about Civil Service numbers and costs next week.

Yours sincerely

G E T Green

G E T GREEN
Private Secretary

CONFIDENTIAL

DRAFT

STATEMENT BY THE PRIME MINISTER ON THE CIVIL SERVICE

With permission, Mr. Speaker, I should like to make a statement on the efficiency and size of the Civil Service.

The Government have been reviewing the efficiency of the Civil Service in the light of experience gained in our first year in office. The work of the Civil Service divides broadly into two areas. The first is the formulation of policy and the direct support of Ministers in Parliament. This work, ~~performed with great skill~~, is only part of ^{the duties of the House} ~~their duties~~. The second, on which the great majority of Civil Servants are engaged, is carrying out the executive tasks in the manner and to the extent decided by the Government of the day.

The Government believe that hitherto the management of these tasks has not received as much attention as policy work. The studies which Departments have already carried out in conjunction with Sir Derek Rayner have demonstrated clearly the scope for more effective management.

All Ministers in charge of Departments will now work out detailed plans for ^{concentrating on essential} ~~reducing~~ functions, simplifying work and making operations more efficient in their Departments. These plans will be coordinated by my noble friend, the Lord President of the Council.

In the past Governments have progressively increased the number of tasks the Civil Service is asked to do. Consequently staff numbers have grown over the years. This Government is committed both to a reduction in functions and to better management.

When the Government took office the Civil Service was 732,000 strong. As a result of the steps we have already taken it is now 705,000. We intend now to bring the size down to about 630,000 over the next four years. That will give the country the smallest Civil Service since the war.

/I recognise

I recognise that contracting the size of Government always causes staff both fears of insecurity and genuine anxiety lest important work should suffer to the detriment of the nation. The Government are allowing time to produce the best possible plans, to take account of the legitimate interests of the staff and to encourage them to involve themselves in drawing up proposals for reform. I stress that each year some 80,000 people leave the Civil Service on retirement or resignation. It ought therefore to be possible to accommodate a reduction of 75,000 spread over four years without significant compulsory redundancy. We shall of course be consulting the Civil Service Unions about implementing our plans.

~~The visits to
any visits to
Dept W~~

~~From the departments visited have visited~~

for visiting Dept W

I have now visited several Departments. My experience (and that of Ministers and Sir Derek Rayner is that most staff want to work in and for an efficient organisation. I have been particularly impressed by the quality and enthusiasm of the young people I have met. They, and many of their older colleagues, want more personal responsibility for providing the country with good value for money.

It is the Government's job to ensure that the structure of the Civil Service, its working methods and the rewards it offers for success bring on the right kinds of talent; give it scope for personal initiative; and offer conditions which promote loyalty and commitment. ~~To remove uncertainty in the Civil Service itself I think it right to make this statement now. I do not underestimate the difficulty of the task on which we have embarked, but under determined leadership from both Ministers and senior members of the Civil Service I believe we have the ability to carry it through.~~

1

*Weekend have
not*

*PA
ms*

PRIME MINISTER

Statement on the Civil Service

When we talked briefly on our way back from Belgrade about your statement on the management and size of the Civil Service which you are due to make next Monday, I said that I would let you see the following drafts:

- (a) A revised version submitted by Mr. Channon (flag A);
- (b) Sir Derek Rayner's draft (flag B);
- (c) A draft which I produced this morning and which incorporates much of Sir Derek Rayner's draft (flag C).

J.M.

8 May 1980

Turnover

With permission, Mr Speaker, etc.

Between 1960 and 1976 the Civil Service grew from 640,000 to 746,000 and stood at 732,000 when we took office. There has, of course, been an increase in the amount of work which successive Governments have required of the Civil Service. But I believe it is now possible, without harming the quality of the essential work the Civil Service does, and, with the minimum of compulsory redundancies, to substantially reduce the size of the Service over the next few years.

The cost of the Civil Service in 1980-81 will run at about £4,600 million. It is therefore a large slice of public expenditure. Particularly in the present economic situation, we must minimise the call on public resources, and every effort must be made for more efficiency. Ministers, with the help of Sir Derek Rayner, have identified many areas where savings can be made - and there are many more to be found.

The Government has decided that a long-term plan must now be made for further savings through a combination of increased efficiency and a reduction in functions. We have already brought down the size of the Civil Service from 732,000 to 705,000 and it will fall to below 700,000 by April 1981. There were also substantial extra savings announced last December. The Government has carefully reviewed the

scope for further reductions. We have reached the judgment that it should be possible to achieve a Civil Service

of no more than 630,000 by 1 April 1984. This will be the lowest figure since the war and will represent a fall of over 100,000 since we arrived in office. Ministers will now prepare detailed plans for the achievement of the necessary savings in their departments, to be co-ordinated by my hon Friend the Minister of State, CSD. Ministers will also take an active and continuing role in managing the use of resources in their departments.

I want to emphasise my deep appreciation - and that of all my colleagues - for the excellent work of the Civil Service. We are, as a country, extremely lucky to have a Civil Service both dedicated and politically impartial. I have in particular noticed in the last 12 months the large number of civil servants who are anxious for their work to be made more productive and who have provided good suggestions for making the work of the Service as a whole more efficient. To remove uncertainty in the Civil Service itself I think it right to make this statement now.

11 12 1
2 3 4 5 6 7 8 9
10

- 6 MAY 1980

- Functions -

DR

DRAFT OF 5 MAY 1980

CIVIL SERVICE MANPOWER & COSTS: DRAFT PARLIAMENTARY STATEMENT

With permission, Mr Speaker, I will make a statement about decreasing the work of central government and improving the way in which it is done.

The scale and efficiency of government operations are reflected in the size of the Civil Service. In 1960, the Civil Service stood at 641,000. When we took office last year, it had gone up to 732,000. We at once decided to reduce it by some posts in our first year.

Ministers then undertook an initial review of the functions of their departments. My Noble Friend the Lord President of the Council announced on 6 December a reduction of some 40,000 posts over the next three years. On 14 March, my honourable Friend the Minister of State, Civil Service Department, announced a further restriction in the manpower costs of most departments for 1980-81 averaging 2½ %.

The size of the Civil Service is now 705,000.

In the light of experience, the Government believes that it is right to reduce its operations progressively over the remaining years of this Parliament. Accordingly, we intend to bring down the size of the Civil Service to around 630,000 by 1 April 1984. That will give the country the smallest Civil Service it had had since the war.

Ministers in charge of departments will now work out the detailed plans for simplifying work, reducing functions and making operations more efficient. Because the work of government differs from department to department, we are not imposing a uniform percentage reduction on each. I recognise that contracting the size of government always causes staff both fears of insecurity and a genuine anxiety lest important work should suffer to the detriment of the nation. The government is

Handwritten scribbles on the left margin.

just make pen 20 pages

il allowing time to produce the best possible plans, to take account of the legitimate interests of staff and to encourage them to involve themselves in drawing up proposals for reform.

I cannot therefore tell the House in detail today what is to happen in each department, but we shall keep honourable and right honourable Members informed of progress.

We are also planning for lasting changes in the way departments and individual members of staff go about their work.

✓ The country has long since entered a period in which, more than ever before, it is entitled to the good management of the resources it places in the hands of government. We are therefore seeking changes which would clarify the nature of the responsibility for resources borne respectively by Ministers in charge of departments and by their officials and which would increase officials' sense of commitment and personal accountability all down the line.

We seek in addition ways in which the efficiency of operations can be increased. In some cases, this may mean investment in staff or modern machinery or processes.

But I lay the main emphasis on people, since they are the most important resource we have.

✓ I have now visited several departments. My experience, that of Ministers and of Sir Derek Rayner, is that most staff want to work in and for an efficient organisation. I have been particularly impressed by the quality and enthusiasm of the young people I have met. They, and many of their older colleagues, want more personal responsibility for providing the country with good value for money.

X It is the Government's task to ensure that the structure of the Civil Service, its working methods and its ~~systems~~ ^{of pay} and rewards ^{bring} on the right kinds of talent; give it ^{space} ~~room~~ for personal initiative; and offer ~~working~~ conditions which promote loyalty and commitment.

The Government has accordingly commissioned work to strengthen the management of people and other resources. The results of this will be laid before the House as soon as possible. But I can say now that our general aim is that the Government should take for its operations no more than an appropriate share of either the nation's human talent or its resources and that it should use those it has excellently well.

With permission, Mr. Speaker, I should like to make a statement on the ^{management} efficiency ^{and size} and size of the Civil Service.

In the light of the experience gained in its first year of office the Government believes that the work of central Government can be done more effectively and with fewer staff and at less cost. In its efforts to reduce public expenditure it is right that the Government should look for a contribution from an improvement in the efficiency of the Civil Service, which will cost about £4600 million in 1980/81. The studies which departments have already carried out in conjunction with Sir Derek Rayner have demonstrated clearly that there is ample scope for tighter and more effective management.

The Government has therefore decided that each Minister in charge of a department should carry out a detailed review of functions and activities of his department. These reviews will question the continuing validity of functions, determine the priority to be given to them and decide, in the light of their priority and the money and manpower available, which activities can be cut out altogether or reduced and simplified. The approach will thus be an objective and deliberate one and not arbitrary. It will also be fundamental and comprehensive.

The Government are also planning to bring about lasting changes in the way departments and individual Civil Servants go about their work. We are seeking changes which will clarify the responsibilities of both Ministers in charge of departments and of their officials for the management of the resources at their disposal. We shall seek to increase officials' sense of commitment and personal responsibility at all levels.

We shall also seek ways of increasing the efficiency of operations. In some cases this may require investment in staff or modern machinery or processes.

/ The scale

The scale and efficiency of the Government's operations are reflected in the size of the Civil Service. (In 1960 the Civil Service stood at 641,000.) When the Government took office a year ago it was 732,000. As a result of the steps we have already taken its size is now down to 705,000.

The Government has decided that it would be right to continue the process of reducing the size of the Civil Service over the remaining lifetime of this Parliament. We intend therefore to bring down the strength of the Civil Service to about 630,000 by 1 April 1984. That will give the country the smallest Civil Service since the War.

Ministers will draw up the detailed plans for achieving this reduction on the basis of the reviews of their departments' functions and activities which I described earlier in this statement.

The Government recognises that changes of the kind it intends to make are likely to cause staff both fears about the loss of jobs and anxiety that important work might suffer. It is for these reasons that we are allowing time to produce the best possible plans, to take account of the legitimate interests of the staff and to encourage them throughout the Civil Service to involve themselves in the proposals for change. We shall of course be consulting the Civil Service staff associations and trade unions.

We are fortunate in having a first class Civil Service in this country. I believe that most of its members will welcome the kind of changes the Government intends to introduce. I have now visited several departments. My experience - and that of other Ministers and of Sir Derek Rayner - is that most staff want to work in and for an efficient organisation and to have more personal responsibility for seeing that the country gets value for money.

/ I believe

I believe that the Civil Service will welcome and respond positively to the challenges which the Government will be setting it in the changes it intends to introduce in the coming years.

CONFIDENTIAL



Civil Service Department

Whitehall London SW1A 2AZ

Telephone 01-273 3000

Minister of State

N Sanders Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

8 May 1980

Dear Nick

CIVIL SERVICE NUMBERS AND COSTS: PARLIAMENTARY STATEMENT

You told me on the telephone yesterday that No 10 would arrange to circulate to Departments the text of the Prime Minister's Statement which is likely to be made on Monday, 12 May.

I expect you have it in mind to send copies to all members of the Cabinet and to the Minister of Transport and the Chief Whip. Could I ask you also, please, to send copies to the Attorney General and the Lord Advocate? I think that would cover all Ministers in charge of departments.

Because we will need to send copies to other people, eg the Council of Civil Service Unions - formerly the National Staff Side, it would be very helpful indeed if you would kindly let me have a copy by hand as soon as it is finalised.

As far as timing of the Statement is concerned, could you let me know just as soon as a decision has been made? I assume a decision will be made tomorrow. The reason for my request is that we will of course need to write urgently to Departments' Principal Establishment Officers giving guidance about the timing of discussions with their Departmental Staff Sides.

Finally the reference to the Minister of State, CSD in the penultimate paragraph of the draft Statement sent by Mr Channon under cover of his note of 6 May, should of course be altered to the Lord President.

Yours sincerely

G E T Green

G E T GREEN
Private Secretary

CONFIDENTIAL

1-8 MAY 1950





CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

Dear Prime Minister,

DINNER FOR PERMANENT SECRETARIES

On behalf of my colleagues, I would like to thank you for the splendid dinner you gave us at No 10 on Tuesday night. I hope that you found it useful to meet Permanent Secretary Heads of Departments collectively and have a frank exchange of views with us. We for our part found much to reflect on.

I know from comments made to me already that there are one or two important points which many of my colleagues want me to put to you as a postscript to our exchanges on Tuesday night: I would want to anyway.

First, as senior civil service managers we are fully committed to the policy of this Administration, as the elected Government of the day, for a smaller and more efficient civil service giving value for money and effective service to the public. I hope it goes without saying that with departmental Ministers we will continue to work away at the best means of achieving this, with advice from Derek Rayner as appropriate. Ministers can then decide on the priorities for further action. It won't be easy for Ministers or for us. As you acknowledged, there will be hard political and managerial decisions to be faced on the way, as well as pressures arising from the state of the economy. But we are all determined to make the very best fist of it we can.

Second, amongst our responsibilities as managers we have to motivate the staff to give of their best. We won't be able to do this if they feel that they are being constantly got at and that none (or few) of us appreciate the good work they carry out. Irrespective of what the unions may do, we can't afford to let the bulk of staff think we don't care very much about their achievements or about whether they are treated fairly - no more and no less - over such matters as their pay, their working environment and defending them from unfair criticism. We will need Ministers' help in this.

Prime Minister.

An attempt to return lost ground, but I believe and hope genuinely meant.

I also enclose in the attached folder the thank-you letter I mentioned earlier today. Some of these, eg. met from Pat Nason, are encouraging and show that what you said at dinner has not been lost 8 May 1980 or at least some PSES.

Yours
Sv.

MS

I would like to end as I ended on Tuesday night: you and we are not on separate networks, and we for our part want to work in close cooperation with you and your colleagues on the basis of mutual trust.

Yours sincerely,

Ian Bancroft

IAN BANCROFT



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PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

PUS/80/441

58/15/4

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

8 May 1980

Dear Prime Minister.

Thank you for inviting me to dinner on Tuesday night and for your kind hospitality.

On Civil Service numbers, as you know I am firmly of the opinion that we can make further reductions here in Defence. It is encouraging that other Departments are being requested to contribute and that pressure is being brought to bear elsewhere in the public sector.

On efficiency, I have much sympathy for many of the ideas which have been put forward by Derek Rayner. We are most anxious to get ahead in this area here and it is a big job. We shall only succeed if we engage the enthusiasm and interest of the staff themselves and give them more responsibility and freedom to manage with less central controls. It is here that the heart of the matter lies.

Your sincerely
Frank Cooper

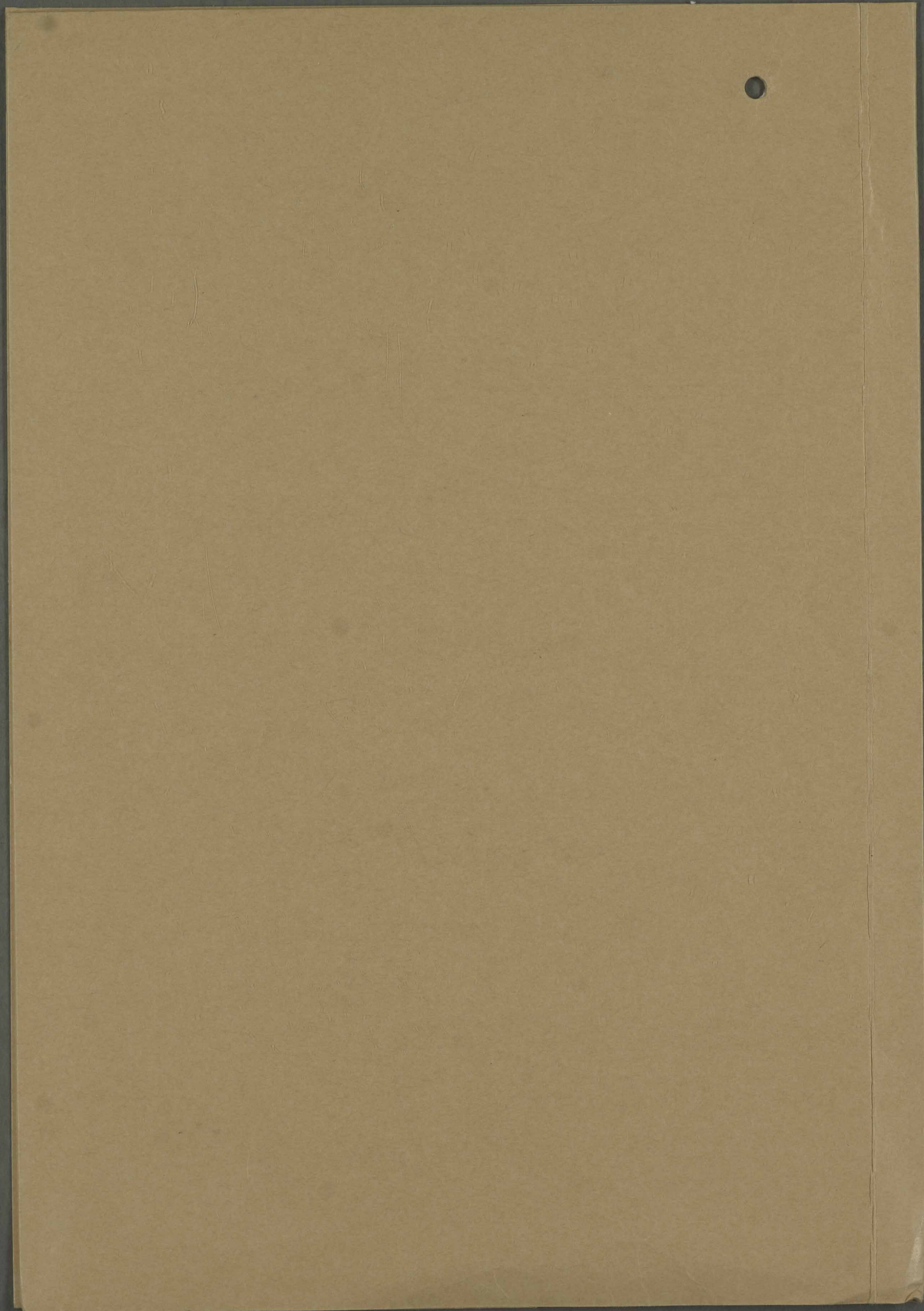
FRANK COOPER

PART 3 ends:-

Sir W. Baine to PM 7.5.80

PART 4 begins:-

Sir Fr. Coysen to PM 8.5.80



END