

PRIME MINISTER

CIVIL SERVICE MANPOWER

1. Mr Pattison's letter of 31 December conveyed your comments on my minute of 21 December.
2. I hope there will be an opportunity, when you visit the Civil Service Department on 11 January, to talk about various aspects of the Civil Service Pay Settlement due on 1 April 1980.
3. There is one immediate point raised in the minute. As far as the taxation of short-term benefits is concerned, with your agreement, I should very much like to insist on compensating savings. This would involve not simply a further tightening of the belt in the departments affected, but a deliberate decision to drop or curtail other functions in addition to those already agreed - and it may be unwelcome to some of our colleagues. I should need to circulate a short paper to E Committee before it meets to discuss the taxation proposal (probably around the middle of this month), but before doing so, should be grateful to know if this accorded with your wishes.

P.C.

PAUL CHANNON

3 January 1980

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