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10 DOWNING STREET

From the Private Secretary

22 April 1980

30.4.80  
BF for Cabinet

The Prime Minister held a discussion this morning about proposals on Civil Service management and manpower policy to be considered at Cabinet on 1 May. The meeting considered draft papers for Cabinet prepared by your Minister of State and Sir Derek Rayner. The Chancellor of the Exchequer, the Home Secretary and Sir Robert Armstrong were also present.

As a result of the discussion, the Prime Minister concluded that she would like to seek Cabinet endorsement for a 12 per cent target for further reductions in the size of the Civil Service. In order to achieve this, a target per department of 2½ per cent per annum over the three year period beginning 1981/82 would be required. There would need to be some recognition of the variations in the requirements of departments whose work load was determined by factors outside the Government's control. To achieve these cut-backs, there would need to be a drive in each department for greater efficiency and cost-effectiveness, coupled with a drive to reduce functions and thereby staff numbers. There would also have to be an examination of the chain of command within Government departments.

In discussion of responsibility for co-ordinating this work, the Prime Minister concluded that she would prefer not to pursue suggestions of the creation of a new high level post for this purpose. It should be possible to locate the responsibility within the existing Civil Service Department structure, with Sir Derek Rayner providing external advice in the drive to increase efficiency and cost-effectiveness and to reduce functions.

The Prime Minister concluded that she should herself discuss Ministers' decisions on these matters with the Permanent Secretaries as quickly as possible after the 1 May Cabinet.

The Prime Minister asked that the papers by Mr. Channon and Sir Derek Rayner should be circulated to colleagues on Friday. She was informed that Mr. Heseltine's complementary paper would be available early next week. Your Minister of State undertook to

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incorporate the targets set out above in the final version of his paper and to withdraw from it the proposal for a new post to co-ordinate this work.

I am sending copies of this letter to John Chilcot (Home Office), Martin Hall (HM Treasury), Clive Priestley (Sir Derek Rayner's office) and David Wright (Cabinet Office).

M. A. PATTISON

Geoffrey Green, Esq.,  
Minister of State's Office,  
Civil Service Department

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