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CABINET

CIVIL SERVICE EFFICIENCY AND MANPOWER

Memorandum by the Lord President of the Council

INTRODUCTION

1. Cabinet agreed on 1 May (CC(80) 18th Conclusions, Minute 4) that all Ministers should draw 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.
2. The reports which colleagues have sent me vary widely. Some important points come through. These include the need to stop work of lesser priority, to examine more rigorously staffing levels not least in so-called "demand-led" areas, and the need for more mechanisation. I am certain that there is considerable scope for improving efficiency and finding worthwhile savings in these ways.
3. But while we all work for improved efficiency, we must ensure that we achieve our collective aim of reducing the size of the Civil Service to 630,000 announced by the Prime Minister on 13 May. Understandably, colleagues have not yet been able fully to set out the means of getting there. There is still a large gap between plans and the aim. I am particularly worried about the situation in 1981-82 which is urgent.

WHERE EXISTING DECISIONS TAKE US

4. Staff in post at 1 April this year numbered 705,000. To get down to 630,000, after allowing for a contingency margin of 10,000 (see paragraph 6 below), we therefore need to make reductions totalling 85,000. The savings we agreed last December, together with the 2½ per cent cut to help to pay for this year's pay settlement, will take us some way along the road.
5. Information provided by Departments earlier this year indicated that net savings still to come after 1 April 1980 from existing plans would amount to around 30,000 posts, leaving 55,000 to come from new savings - equivalent to 8 per cent of the staff in post on 1 April. Their latest returns however show a different picture. They implemented 10,000 of their planned savings before April leaving that amount less to come. The new savings now to be found are therefore 65,000 - equivalent to about 9 per cent of staff in post on 1 April.

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THE CONTINGENCY MARGIN

6. Cabinet on 1 May doubted whether a contingency margin of 10,000 to meet future growth would be big enough. We cannot tell whether 10,000 will be adequate to meet all future unavoidable claims, but any higher figure would require commitment now to still greater savings. I propose that we fix the margin initially at 10,000, agree to restrict demands on it rigorously, and see how we go. If unemployment were to rise over 2 million we should have to think again.

THE BASELINE

7. Some colleagues have questioned the baseline against which the new savings are to be measured, and have suggested that staff numbers at 1 April 1979 should be the yardstick. I see their point but I think we must base our new savings on the results of the decisions we have taken so far. The decisions we took last December represented our collective view of what each Department could then contribute. We should not now go back behind them and seek to redistribute the burden.

PROPOSALS FOR NEW SAVINGS

8. How near are we to getting the 65,000 we need? Some colleagues' offers take us a good way forward and I am very grateful to them. Others feel able to contribute very little or have reviews still in progress. Not all the returns are wholly clear, but Annex A provides the best assessment my Department can make at this stage of what has been offered. In total this is about 40,000 posts, with an important part needing legislation. So we have got to make up another 25,000.

9. How are the new savings to be distributed? Cabinet decided on 1 May that there should be flexibility between Departments. I take the point, but flexibility in itself provides no basis on which to reach decisions - hence, no doubt, the varying quality of the latest replies. Two points seem clear, as before:-

- a. There is no way we can reach the target without a full contribution from the biggest Departments.
- b. We shall have to temper the wind for prison staff and a few other very limited areas.

These two points together show that our room for manoeuvre in practice is very narrow. In effect, few Departments can produce much more than 9 per cent, and it follows that few can be allowed to produce much less. I see no practical alternative to a cut across the board of 10 per cent in addition to the decisions we have already announced, thus providing room for relatively small exceptions as at b, above.

THE MONEY SAVINGS

10. The reduction from 705,000 at April 1980 to 630,000 at April 1984 will save getting on for £500 million gross a year in wages and salaries costs, on top of the £175 million gross a year already saved. The net savings of the whole operation cannot be quantified until we know the off-setting costs where work is being put out to contract. Moreover, these savings will not be achieved unless we are prepared for a modest but essential investment in mechanisation and accommodation.

TIMING: 1981-82

11. Very few colleagues provided the information requested about the timing of their new savings and this causes me much concern about the picture at 1 April 1982. It looks as if by then numbers may not have fallen much below 690,000. In that case 60,000 more would have to be found in the following 2 years. People would simply not believe this to be realistic. I propose we should bring the April 1982 numbers down to 675,000. This means that all Departments should reduce their staff in post by April 1982 to a figure 3 per cent lower than they would reach by that date under existing plans (ie after taking account of the 2½ per cent cut, the December 1979 savings and any approved growth). This would provide a very small margin to help those few Departments which will be in exceptionally acute difficulty next year.

THE NEXT STEPS

12. I propose that all colleagues should now review their plans with a view to increasing their savings and adjusting the timing of them to ensure that we reduce numbers to 675,000 by April 1982. By October, we need to be able to confirm the April 1982 figure and, if at all possible, to see our way clearly to reaching the April 1984 target. Both the Treasury and Civil Service Committee and the unions will expect to be told our plans.

13. I propose therefore that I should report to Cabinet again at the end of October. To present a clear plan, I shall need firm details of colleagues' revised savings and their timing by 1 October at the latest.

14. Some Departments have included proposals in the Public Expenditure Survey which would affect staff numbers. It is essential that we allow additions only where it is absolutely clear that there is no alternative. I list the relevant proposals and my recommendations on them in Annex B.

ACHIEVING GREATER EFFICIENCY

15. Meanwhile we are studying a wide variety of issues including range-pay for senior grades, merit pay in place of automatic increments, promotion and succession policies and the scope for shortening the chain of command. These will not themselves produce large reductions in manpower but should help to encourage efficiency. I will not trouble my

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colleagues with them now but will report further in the autumn. In addition colleagues' agreement is being sought by correspondence to more flexible arrangements for early retirement along the lines which officials believe will meet Departments' needs.

16. We need also, as agreed at Cabinet on 1 May, to ensure that management experience and best management practices (including the use of management information systems) are more effectively disseminated and practised. This too is very much tied up with some of Sir Derek Rayner's "lasting reforms" proposals and he and I expect to be able to report on these important issues towards the end of the year.

CONCLUSIONS

17. I invite my colleagues to agree that:-

- a. we should for the present continue to plan for a contingency margin of 10,000 posts;
- b. all Departments, other than those employing prison staff and a very few other exceptional cases should aim to make new savings by April 1984, in addition to the plans already announced, equal to 10 per cent of their staff in post at 1 April 1980, and should revise their present plans accordingly;
- c. we should aim to reduce numbers to 675,000 by 1 April 1982, and all Departments should plan to reduce their staff by that date as proposed in paragraph 11;
- d. the new proposals in the Public Expenditure Survey should be dealt with as proposed in Annex B;
- e. The Civil Service Department, with the help and advice of Sir Derek Rayner as appropriate, should discuss with Departments:-
 - i. any necessary clarification of the savings already under consideration and their timing, together with similar information about proposed further savings;
 - ii. the prospects of each Department for 1981-82;
 - iii. the scope for further scrutinies and other measures to improve efficiency.
- f. colleagues should provide me with the necessary figures not later than 1 October so that I can report again to Cabinet at the end of October with firm proposals for staffing numbers in each Department at 1 April 1982 and 1 April 1984.

Civil Service Department

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SUMMARY OF "NEW" SAVINGS PROPOSED BY DEPARTMENTS

The replies to the Lord President's letter of 4 June vary in the extent to which firm commitments are made to additional savings of a particular size. In some cases, provisos have been made about the possibility of achieving the savings indicated; and in other cases the savings shown may be exceeded. The following table gives the best assessment that can be made at this stage of the likely level of savings arising from the proposals which have been put forward. It has not been possible to clear the content of the table with departments and we cannot be sure that the individual entries reflect accurately departments' intentions. But we are reasonably satisfied that the returns point to an overall total somewhat in excess of 40,000.

Department	Source of Proposed New Savings	Number of proposed new savings by April 1984*
Defence (including Royal Ordnance Factories)	Follow-up to Dockyard, R&D and Supply Management studies. Possible simplification and streamlining of procurement, stocktaking, inspection etc. Possible contracting out (naval POL depots, cataloguing, repair etc) and privatisation (ROFs, Defence Sales, research areas etc). Elimination of work levels and modernising typing and registry services.	17,200
Lord Chancellor's Department	Computerisation in county courts, transfer to contract cleaning and efficiency improvements (Reduction in approved growth)	350
MAFF (including IBAP)	Streamlining of regional organisation and review of functions.	At least 150

*Figures are rounded

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Department	Source of Proposed New Savings	Number of proposed new savings by April 1984*
Industry	Reductions in Research Establishments, Regional Offices, Regional Development Grant Offices, industry assistance and sponsorship, and in statistical services.	330
Trade (including ECGD and OFT)	Insolvency Service, Patent Office Rayner project, sponsorship functions; possible "good housekeeping" savings in ECGD.	560
Energy	Investigation of relationship with UKAEA; alternative methods of obtaining technical advice; use of word processors.	No estimate
Employment	Computerisation and Rayner study in Unemployment Benefit Service and reductions in Wages Inspectorate.	1600-1700
MSC/HSC/ACAS	Under consideration.	No estimate
Environment (including Ordnance Survey) and PSA	Reviews proceeding; savings in Ordnance Survey dependent on outcome of Serpell Report	At least 3850
Transport	Possible savings from vehicle licensing enforcement, introduction of tax on possession of motor vehicles, transfer of further work to post offices etc.	No estimate
Home Office	Savings in prison service HQ and regions; possible savings in police support, telecommunications, from reducing controls on courts capital expenditure, statistics, Fire Service and Police Inspectorates etc (Additional PES bid for 500 prison officers in 1981-82 dropped, and bids for later years reduced by 200 a year)	140

*Figures are rounded

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Department	Source of Proposed New Savings	Number of proposed new savings by* April 1984
CO AND ODA	Efficiency savings in Dip. Service and Communications Division, reduction in aid programme and other efficiency savings in ODA, reduced demand for first time passports.	400
Land Registry	No immediate further extension of compulsory land registration, and efficiency improvements.	100
Education and Science	Increased efficiency (typing and messenger services); simplification of procedures (building controls, funding of adult education and voluntary school activities, statistics); reduced tasks (building development, student awards, teacher probation and in-service training etc).	100
Office of Arts and Libraries	Exemption sought for Victoria and Albert and Science Museums.	NIL
SSS	Introduction of employers' statutory sick pay scheme, unified housing benefit, supplementary benefits simplification; efficiency savings at HQ, central and possibly Regional offices; computerisation in local offices.	8,700
FCS	Possible savings from Rayner reviews of social surveys and statistics; abolition of central cervical cytology recall scheme.	100
Cancellor of the Chequer's Departments	Distribution of reductions between departments dependent on future fiscal changes. Partially contingent on acceptance of unpalatable changes in tax law and capacity to finance real reductions in direct taxation.	7,000
CS	Reductions in Central Computer and Telecommunications Agency and CS College functions and from CS Commission coverage of recruitment market.	260

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Department	Source of Proposed New Savings	Number of Proposed new savings by* April 1984
HMSO and Central Office of Information	Under review.	No estimate
Scottish Office	Exemption sought for prison service, state hospital and fishery protection fleet. No offers of specific savings elsewhere until proposals for analogous Whitehall departments known.	No estimate
Welsh Office	Priorities and future programme under review; need to study proposals by Whitehall departments (inescapable future commitments for 50 extra staff being absorbed).	30
Northern Ireland Office	Review of functions	50
Paymaster General's Office	Handling of payable orders presented by banks, and pension procedures.	35
Other departments	Efficiency savings and reduction of functions	90
TOTAL		<u>40,000</u> approx

* Figures are rounded

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ANNEX B

PUBLIC EXPENDITURE SURVEY 1980: ADDITIONAL
BIDS FOR MANPOWER

After taking account of subsequent modifications, seven items remain from the proposals affecting staff which departments put forward in the 1980 Survey. These are as follows:

	<u>Additional staff in each year</u>			<u>Total</u>
	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	
Intervention Board for Agricultural Produce	12	-	-	12
Department of Health and Social Services	62	29	32	123
Home Office	-	300	300	600
OPCS	-	12	18	30
Paymaster General's Office	34	49	44	127
Crown Office and Procurator Fiscal Service	28½	75	117½	221
Total	136½	465	511½	1113

Two of these bids are for work which will not arise before 1982-83. I propose that we should defer consideration of these until next year's Survey, which will be the occasion for taking firm decisions about 1982-83.

Of the remainder, increases should only be allowed where increased work is certain, is known to be unavoidable, or needs additional staff to undertake it to a minimum acceptable standard, and where there is no scope for redeployment of existing resources.

Against these criteria, I propose that we accept the following items only:

	<u>Additional staff in each year</u>			<u>Total</u>
	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>	
Paymaster General's Office	34	49	44	127
Crown Office and Procurator Fiscal Service	28½	-	-	28½
Total	62½	49	44	155½