

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.

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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