

C(79) 12

COPY NO 76

24 May 1979

CABINET

FURTHER ACTION TO REDUCE THE SIZE OF THE CIVIL SERVICE

Memorandum by the Lord President of the Council

1. As I promised in C(79) 7, I now put forward proposals for the greater economies in the Civil Service which we shall need to make for the longer term, in parallel with economies in other public services.
2. While a general cut across the board was the only practicable method of securing initial savings in this financial year, this second and more important operation should be more deliberate and more discriminating. We shall need to consider
 - a. which continuing functions can be conducted more efficiently and economically;
 - b. which functions we should curtail or drop altogether.

Some changes can be made relatively quickly, but others will need more time. Some may need legislation. Redundancy is expensive, and the more we can do by natural wastage, the better. I envisage a programme running through the financial years 1980-81 and 1981-82.

3. I suggest that we should take as a starting-point the sum allowed for staff expenditure (defined in the Annex) in this year's cash limits as we have adjusted them, and think in terms of what it would mean to reduce this figure by 10 per cent, 15 per cent or 20 per cent over the next two financial years. For this purpose I would ask each Minister to let me have a statement showing:-

- a. the amount of the savings he would aim to find in his Department by improving efficiency and cutting out waste. There is a connection here with the returns which the Cabinet has already asked for by 7 June.

b. What further measures he would adopt, in order to bring his savings up to the level of 10 per cent, 15 per cent and 20 per cent, by way of carrying out functions less intensively, cutting them back or stopping them altogether. These measures should be categorised by difficulty (those which can be done with comparatively little pain, those which would involve some penalty to our policies and the effectiveness of services and those which would call for major political decisions); and by the length of time needed to achieve them.

This information would enable me to put to colleagues for decision a range of possibilities and a timetable.

4. This operation should be conducted in parallel with the Public Expenditure Survey this summer, and should take account of any savings in Civil Service manpower arising from it; conversely there may be consequential changes in expenditure other than on staff arising from the options we select. The savings agreed as a result of this operation will have to be incorporated in the next Public Expenditure White Paper, so we shall need to reach our final decisions by early autumn.

5. With this in mind, I suggest that Departmental returns should reach me by the end of July followed by Cabinet discussions and decisions in September.

IMPACT ON THE STAFF AND UNIONS

6. We must try to win the understanding of the staff and the Civil Service unions. My Department will keep in close touch with the National Staff Side; and I suggest that my colleagues will wish to do the same with their Departmental Staff Sides.

CONCLUSION

7. I invite my colleagues to agree:

a. To set 1 April 1982 as the target date for the completion of these reductions.

b. To let me have the statements proposed in paragraph 3 by the end of July.

c. That there should be appropriate consultations with the National and Departmental Staff Sides.

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Civil Service Department

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The expenditure to be reduced in the course of this operation would be staff wages and salaries and the closely-related costs which are commonly described as "general administrative expenditure", eg travel, subsistence, postage and telephone bills. Computers and office machinery would be excluded; while the review of functions may lead to ending or modifying some programmes of mechanization, we should encourage them where they are cost-effective. Some savings in accommodation costs may well result, but these are best treated as a consquential.

2. The more detailed guidance which my department will circulate if the proposals in this memorandum are accepted will include guidance on the treatment of any variations between the starting-point of this year's provision as finally adjusted and the existing PESG baseline for 1 April 1982.