

Prime Minister



Mr Prior and the Chancellor
won't like this. Will you
agree Lord Soames' proposal,
or do you want to
discuss in Cabinet?

PRIME MINISTER

Agree Lord Soames
second course better
as in para 5. n/s.

1979-80 CASH LIMITS: CIVIL SERVICE WAGES AND SALARIES

TL & JK

When I mentioned in Cabinet the other day that I was worried about our prospects of achieving the 3% cut in civil service staff costs in 1979-80, your view was that the important thing was to save the money, and that whether the saving was in manpower or in other expenditure mattered less. We are however publicly committed to the target figure of a 3% reduction in the pay component in cash limits, as compared with the figure of at least 2% which the last Government was known to be planning. When we decided on 3%, I felt that it was the least we should go for though the most we would get, and I believe that you shared that view.

2. Our conclusion in Cabinet on 17 May provided that if any Minister found it impossible to achieve 3% in his department, he could suggest to the Chief Secretary alternative ways of finding the money. As these claims began to come in, and others were rumoured, I started to worry about what this was all going to amount to, and I told Willie Whitelaw and our other colleagues in my letter of 30 May that we should have to review the aggregate before taking final decisions, and that I might have to ask colleagues to think again. For any figure appreciably less than 3% would expose us to charges of failing to deliver and of a poor and unconvincing start to our campaign to reduce the size of the Civil Service.

3. The claims I have now received confirm my worst fears. We have throughout taken the view that we should have to exempt the staff in prisons and places like Rampton. The cost of that, together with one or two other very small exemptions in the field of law and order, reduces the 3% to 2.8% - a figure which we could perhaps just about live with. The real trouble arises with the arrangement which we have agreed for the social security staff in DHSS, and the likely repercussions of that arrangement on other departments which also employ sizeable staffs on the reduction of fraud and abuse in benefits or taxes: the Department of Employment, the Inland Revenue and the Customs and Excise.

4. The arrangement for DHSS will of itself reduce the figure of 2.8% to 2.5%. Jim Prior has however said that he would feel bound to press for a similar arrangement in the Department of Employment, and I understand that strong pressures for the same treatment would arise in the Inland Revenue and the Customs, where the diversion of possible staff savings into work on fraud and evasion would also produce monetary gains much greater than the staff cost. My officials estimate that if those departments made savings which were proportionately no greater than those proposed for DHSS, the saving in the cash limits would come down to 2%.

5. On the assumption that we stand by the arrangement we have made for DHSS, only two courses of action seem to be open to us. The first is to accept the reduction of the 3% figure to something much nearer 2%; to my mind that is out of the question as even the Labour Government were committed to that. The second is to refuse to allow the DHSS arrangement to be carried through into any other department, and to ask our other colleagues to make good the gap between 2.5% and 3% by finding additional savings in their departments; the figure they would each have to find on this basis would be 3.6%, and I am encouraged to think that this should not be impossible by the offers to find more made by Michael Heseltine, John Nott and Norman Fowler when we discussed this in Cabinet. If Patrick Jenkin's efforts on fraud and abuse in DHSS for this year prove as profitable as he expects, we can of course extend such action into the other departments for next year. This seems to me to be the only practicable course because if we allowed the carry-through into Employment, Revenue and Customs, and asked our other colleagues to make good the bigger gap between 2% and 3%, the figure they would have to find on this basis would be in the region of 4.6%, and I do not think that this is possible. I recommend this second course accordingly.

X

i.e.
x above

6. Copies of this minute go to all Cabinet colleagues including the Minister of Transport and Sir John Hunt.

Loane

SOAMES
8 June 1979

4b.

L. Jenkin

Fraud abuse

↓

3.62



... in the situation that we stand by the arrangement we have made
 for 1968, only the course of action need be open to us. The fact
 as to accept the reduction of the 5% figure to something such as 3%
 or 4% is a matter that is left to the decision of the Labour
 Government were committed to that. The suggestion to reduce to 2%
 the main arrangement to be carried through into the next Parliament,
 and to see our other collection of data and the gap between 2% and
 3% by finding additional savings in their department; the latter part
 would seem to have to find on their own side of the ledger, and I am encouraged
 to think that this could not be impossible. The officers of this more
 made by Michael Henderson, John West and I have to say we discussed
 this in detail. It is a matter which is not open to us and which in UK
 for this year gives us a profit of 4% as against 3% in 1967. This seems to be
 such a margin that the open arrangement of 1968 would be a good one to
 be the only possible course of action. It would have to be done through
 through into the next Parliament, however. It would have to be done
 through to the good and the bad. It would have to be done on time
 and I do not think that this is a matter that is a matter of course
 course accordingly.

25 JUN 1979



... Copies of this minute to be distributed to all Cabinet colleagues including the
 Minister of Transport and Sir John Hill.

CONFIDENTIAL

CONFIDENTIAL

[Large handwritten scribbles and signatures covering the lower half of the page.]