

MAP



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PRIME MINISTER

I am worried about the Lord President's proposal in his minute to you of 7 November to announce specific targets for each Department to be attained by 1 April 1984.

2. Although the figures were described at the time as "firm targets" they were nevertheless expressly subject to the reservation that they were figures which Ministers should "do their utmost to achieve".

3. While collectively and publicly we are committed to a target of 630,000 and we will all in our own fields do our utmost to make a full and proper contribution to greater economy and efficiency, few if any of us can say at this stage with any degree of certainty how the figures will be achieved. I would expect that some of the individual targets will not be reached, in which event the Government would be exposed to political criticism, even if the shortfall were to be made up elsewhere. It is in my view quite sufficient to have one target which will impose the necessary discipline overall: to have a multiplicity of targets simply increases the number of instances where it could be claimed we have failed.

4. In my own case there are particular dangers because of the Budgetary implications. We have already reduced our staff overall by nearly 11,000 since we came into office and we are planning further substantial efficiency savings. But just to achieve a figure of 107,000 or so which is the basis on which we have been planning - and a fortiori the 102,600 the

/Lord President



Lord President specifies - involves far reaching tax changes, such as an increase of 20 per cent or more in thresholds in real terms, the abolition of the investment income surcharge, and a further substantial increase in the capital gains tax threshold. These tax changes in themselves imply a revenue loss running into billions. The contrast between what we shall have to do in 1981 by way of increases in taxation (needed to offset upward pressure on public expenditure), and what we would need to claim we were hoping to do by 1984 to justify the target figures of staff reductions, shows clearly how unwise it would be to follow the course proposed by the Lord President; I am very anxious not to get hooked on a target for staff numbers which in the event proved inconsistent with the monetary objectives set out in our Medium Term Financial Strategy.

5. There are other difficulties which I do not need to enlarge upon. I cannot explain the reductions in numbers to my Staff Sides, as I cannot disclose to them my Budgetary plans for future years. And what would seem to be arbitrary cuts in the capability of the Revenue Departments would only intensify the criticism we shall face from the PAC and others about the need to deal effectively with tax evasion and the black economy generally.

6. I recognise, of course, the need to maintain the pressure for reductions in the number of civil servants and to convince both our employees and the wider public that we mean business. But I am afraid that the sort of announcement Christopher Soames has in mind would merely stimulate questions we should not be able to answer without really helping us to make our own organisation more efficient and economical.

G.H.
(G.H.)

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