



PRIME MINISTER

1979-80 CASH LIMITS: CIVIL SERVICE WAGES AND SALARIES *with yours.*

I have seen copies of the Lord President's minutes of 8 and 11 June to you, and Jim Prior's of 8 June. I have also seen Patrick Jenkin's letter of 30 May to John Biffen. 12/6

2. As a starting point, I am in no doubt that we must concentrate at this juncture on cutting the size and cost of the Civil Service, and - apart from the very special exemptions we originally agreed, (eg prisons and Rampton) - we must consider all proposals on staffing levels against the criterion of whether they make this target more or less difficult to attain.

3. We decided at the end of our discussion in Cabinet of Civil Service staff cuts to make a concession to the DHSS in respect of staff whose work is likely to cut down abuse of the benefit system. I wholly agree with Patrick Jenkin that we must tighten up on fraud - as I hope I made clear in my Budget Speech. But I am forced to conclude that such a concession to DHSS would jeopardise the 3% overall target, and am now convinced that we should reverse our earlier decision to grant it, which we took without full consideration of the wider implications.

4. Like Jim Prior, I am responsible for 2 Departments, Customs and Excise and Inland Revenue, whose activities in preventing fraud etc, and consequently increasing revenue, are at least as significant as DHSS's. Neither Department has sought, nor is it my intention to press for, any modification in the 3% cut, even though it is arguable that, because of the nature of their activities, such cuts may well lead to an adverse effect on the revenue and the PSBR which is greater than the amount saved. But it would seem to me perverse, even if it



were practicable, that these Departments should have to make an additional saving from 3% to 3.6%, or some intermediate figure, simply to make way for the concession to DHSS.

5. The conclusion I draw is that DHSS must step up their efforts to tighten up on fraud etc by redeploying staff after making the full across the board cuts, and that we should consequently reverse our earlier Cabinet decision.

6. I am sending copies of this minute to Cabinet colleagues and to Sir John Hunt.

A handwritten signature in black ink, appearing to be "G. Howe".

GEOFFREY HOWE  
12 June 1979

17 JUN 1959



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COMPANION