

# National Savings

## PRIME MINISTER

The Lord President is putting to Cabinet a further paper on civil service manpower. He would like you to see the draft - attached - before he finalises it.

The Lord President has reconsidered how best to ensure that the target of reducing numbers to 630,000 is achieved. In view of the volume of demands for new manpower already in sight, he has concluded that a larger contingency margin is needed. He therefore suggests that Departments should aim for a reduction to 615,000 against the staff in post figure as at 1 April 1979. This should allow the figure of 630,000 to be achieved when unavoidable increases are taken into account.

Lord Soames has also offered suggestions as to where the additional savings can be found. He is not proposing an equal misery solution this time. He appears to have made his own assessment on which Departments might be able to save more, through efficiency and privatisation, on the basis of the discussions with individual Departments which produced the firm offers already noted. I see that his specific proposals include significant additional savings in both the Ministry of Defence and the FCO, which were amongst the Departments whose Ministers protested most strongly last time. The proposals for the Chancellor's Departments are also substantial but unspecific as they might hint at budget decisions which must remain secret at present.

Last time Cabinet discussed the manpower programme, there was a feeling that Ministers could not keep going back for another slice of cuts. Cabinet therefore settled its overall target, and a contingency margin. Voluntary offerings so far leave Lord Soames 17,000 posts above the 620,000 figure which would allow the contingency margin. Colleagues have now had a good year in which to make contributions towards the total, and they cannot really object if the Lord President now simply allocates the remaining savings on the basis of his own assessment. But his proposal to press for an additional 5,000 may allow colleagues to argue that he is looking for a new slice, and that this goes

/ beyond

beyond the consensus reached at the last Cabinet discussion. If this happens, discussion may get diverted from the main issue, which is whether Lord Soames should now be allowed to impose the remaining cuts necessary to achieve the target settled at the last discussion.

Lord Soames would clearly like to have a word with you about this before he circulates his paper. Would you like to do so, perhaps immediately after E on Wednesday?

Yes  
no

YAD

Confirmed to CSD

YAD  
14/x

13 October 1980

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From the Private Secretary

*cc A Duguid*

10 October 1980

Tim Lankester Esq  
Private Secretary to the Prime Minister  
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*Dear Tim,*

CIVIL SERVICE MANPOWER

As I mentioned on the phone, the Lord President would like the Prime Minister to have the opportunity of looking through the paper which he is putting to Cabinet on 23 October. Here is the latest draft: there will be some other Annexes but they are not vital to the main thrust of the paper at this stage. You will see that the paper seeks endorsement of a new, lower target figure.

The paper is due to be circulated next Thursday, 16 October. When the Prime Minister has read the draft she may want a word with the Lord President. He will be coming over to No. 10 for E on Wednesday morning but would of course be available before that if the Prime Minister wanted to see him.

*Yours sincerely,*

*Jim Buckley.*

J BUCKLEY

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DRAFT

C(80) CIVIL SERVICE MANPOWER: THE 630,000 TARGET

Memorandum by the Lord President of the Council

Introduction

Our public commitment is a Civil Service of 630,000 by 1 April 1984. When we last discussed it, colleagues had offered 40,000 in new savings. After extensive consultations they have offered 8,000 more, which gets us down to 637,000.

What now?

2. We agreed to aim at 620,000 so as to provide a margin of 10,000 for contingencies. But many of us were worried that the margin might be too small. Events since then have proved this right. For we can already see claims of around 10,000, without allowing for any rise in unemployment above the present level. It would be foolish to assume there is not more to come. I conclude that we should aim at 615,000, which would give us a margin of 15,000. So I have seen it necessary to find another 22,000 below the 637,000 which colleagues have offered.

3. Overall, after allowing for the growth we have already approved, we need a reduction of 16% of the staff in post on 1 April 1979. But this cannot fall evenly, and I am therefore asking some departments for more, some for less. My proposals for each department are in Annex A, with a brief explanation; [I have written separately to colleagues in greater detail].

Scope for efficiency savings

4. Most offers have included savings from greater efficiency. But I believe they are over-cautious. For the 3 years starting from 1 April 1981 they amount to little more than 1% per annum, and I am sure we can do better than this. Looking at forward plans for staff inspection, Rayner scrutinies and other studies, including Service-wide reviews (see Annex B), I believe we can achieve 2% per annum overall, and my proposals reflect that.

Legislation

5. Some savings will need legislation. Annex C gives details. Firm places will have to be found for these bills in the relevant legislative programmes.

The position at 1 April 1982

6. A high proportion of the savings will accrue towards the end of the period. Present plans indicate a Service of 695,000 on 1 April 1981 and 685,000 on 1 April 1982 (details are at Annex D). This will look bad; the effects on staff numbers of rising unemployment could make it much worse. So colleagues will see the need to bring their savings forward to the maximum extent, which should be reflected in the Estimates next month.

New demands and the contingency margin

7. Now is not the time to make plans for the use of the contingency margin; we must create it first by agreeing the targets. But it is already clear that there must be tight restraint. Apparently we shall need up to 2,000 new staff for

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every 100,000 unemployed above 2 million. So the room for new initiatives may be very small indeed. I am especially concerned about the effect of the taxation of unemployment and incapacity benefits (where the departments concerned have already asked for up to 5,000 staff). We cannot settle the question today. But unless part of this demand can be absorbed, it will of itself claim up to one-third of the new margin.

Savings and the cost of the rundown

8. The gross amount saved between 1979 and 1984 will be about £1,000m and some £675m a year thereafter. But there will be offsetting costs. We shall need to retire some people early, and some redundancies will be unavoidable. A rough estimate of the cost is some £150m over the period. Then privatisation, including the transfer of pension rights, will also cost money. So in all, these major savings will involve offsetting costs.

Privatisation

9. Whether a proposed transfer of work out of the Civil Service is to the private or to the public sector, it must be commensurate, as the Prime Minister has told Parliament, with sound management and good value for money for the taxpayer. So each Minister responsible will wish to assure himself that he can justify his plans on that basis.

Conclusion

10. I invite colleagues:-

- (a) to adopt the global target of 615,000;
- (b) to adopt the departmental targets proposed in Annex A for 1 April 1984;
- (c) to note the need for legislation as set out in Annex C.