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Ref. A01610

PRIME MINISTER

At your meeting with the Home Secretary, the Chancellor of the Exchequer and the Minister of State, Civil Service Department, this afternoon, you said that you would send round a minute to your colleagues, emphasising that the Minister of State, Civil Service Department, would need to look for reductions of at least $2\frac{1}{2}$ per cent in manpower from every Department, and that exceptions would have to be very limited indeed - nothing beyond prison officers, save possibly for a few very small Departments - if the Cabinet's decisions on the pay settlement and on the cash limit were to be met.

— | 2. I attach a draft minute for you to send accordingly. The text of it has been agreed by the Civil Service Department, on behalf of Mr. Channon.

— | 3. You said that you might also mention at Cabinet that you were sending out this minute. I attach a speaking note for this purpose. I suggest that we should not invite the Minister of State, Civil Service Department, to attend: that would look as if you were inviting discussion.

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ROBERT ARMSTRONG

5th March, 1980

SECRET

PERSONAL

SECRET PERSONAL

DRAFT MINUTE FROM THE PRIME MINISTER

HOME SECRETARY

Civil Service Vote: Cash Limit

At Cabinet last week we agreed upon a cash limit for the Civil Service Vote; and we agreed that, in so far as the amount so provided fell short of what would be needed to finance the pay settlement to be negotiated by the Minister of State, Civil Service Department, the balance should be achieved by further reductions of Civil Service manpower. We agreed that we should all need to look for reductions which brought the costs of manpower in Departments down by something of the order of $2\frac{1}{2}$ per cent, if (after allowing for necessary exceptions such as prison officers) we were to achieve an average saving of at least 2 per cent over the Civil Service as a whole.

2. The preliminary soundings that have now been taken confirm that what was agreed at Cabinet is the very least that we must achieve, if the Cabinet's decisions on the pay settlement and on the cash limit are to be met. I am in no doubt whatever that we have to look for an overall reduction as near to $2\frac{1}{2}$ per cent net as we can get; that that means that we must look for a reduction of at least $2\frac{1}{2}$ per cent, from every Department; and that the exceptions must be very limited indeed. We are agreed that an exception should be made for prison officers, and there may need to be exceptions in a few very small Departments which are simply unable to accommodate a cut of as much as $2\frac{1}{2}$ per cent.

SECRET PERSONAL

SECRET PERSONAL

Otherwise it will be possible to contemplate exceptions only to the extent that they can be offset by some Departments achieving reductions of more than $2\frac{1}{2}$ per cent.

3. The Minister of State, Civil Service Department, will now be getting in touch with you and other colleagues with a view to confirming the necessary reductions as a basis of a further report to the Cabinet.

4. I am sending copies of this minute to all members of the Cabinet, the Minister of Transport, to the Minister of State, Civil Service Department, and to Sir Robert Armstrong.

SECRET PERSONAL

SPEAKING NOTECivil Service Vote: Cash Limit

We agreed last week upon a cash limit for the Civil Service Vote; and we agreed that in so far as that was not enough to finance the pay settlement resulting from pay research, the balance would have to be found by further reductions of manpower. We agreed that we should all need to look for reductions which brought the costs of manpower in Departments down by something of the order of $2\frac{1}{2}$ per cent.

2. The preliminary soundings that have been taken on the pay side confirm that this is the very least that we shall need to achieve. I am sending /have sent/ out a minute asking that every Department should find at least $2\frac{1}{2}$ per cent in 1980-81 and stressing that exceptions will have to be very limited indeed. If there were to be any question of greater flexibility, it would have to be flexibility both ways: if some people want to find less than $2\frac{1}{2}$ per cent, others will have to find more. The Minister of State, Civil Service Department, will be getting in touch with colleagues with a view to confirming the necessary reductions.