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Civil Service Reductions, Pt 2.

See P. 3.

cc Mr. Wolfson
Sir John Hunt

Civil Service

NOTE FOR THE RECORD

Lord Soames and Mr. Channon called on the Prime Minister at 1500 hours today to discuss the handling of Lord Soames' paper on "Further action to reduce the size of the Civil Service" when it is taken in Cabinet on Thursday. Mr. Wolfson was also present.

Lord Soames said that he had been appalled by the inadequacy of Departments' returns on the Civil Service options exercise. He could not believe that, as their returns implied, no less than 95 per cent of the work which the last Government thought fit to undertake should continue to be considered as essential. It was essential, in his view, that the Government should be aiming for a minimum of 10 per cent cuts in the Civil Service in money terms by 1982/83. But in order to achieve this, it would be necessary for the large Departments - particularly MOD and the Treasury Departments - to come up with bigger savings. He proposed that there should be a small group of Ministers on the lines of MISC 11, which would look at Departments' proposals critically, and make suggestions for further consideration in Cabinet. Before this got underway, the CSD would make suggestions to Departments as to where further Civil Service cuts might be achieved.

The Prime Minister said that she fully supported the Lord President in his general approach. She agreed that 10 per cent should be a minimum for the Civil Service cuts and that a small group of Ministers should be established following Cabinet. The membership of the Ministerial Group should be considered further, and she would discuss this with the Chancellor before Cabinet. Lord Soames said that the Treasury had offered Lord Cockfield; in addition, he himself and Mr. Channon should be members of the group, and possibly Sir Keith Joseph, and Mr. Jenkin or Mr. Nott (though he was going to be away for much of the time when the group

/would be

would be meeting). Lord Soames went on to say that the group would need help from officials. CSD were not particularly well equipped to look critically at Departments' efficiency and activities. It would be very helpful if the group could be assisted not only by the Cabinet Office (who would no doubt co-ordinate the work) and the CSD, but also by the Treasury. Thus, the Treasury Under-Secretary responsible for expenditure by the Department being considered might helpfully attend the meeting in question.

The Prime Minister said that she was sure there was much inefficiency and unnecessary work in Departments which spending Ministers had failed to uncover in the exercise so far. In her recent visit to the North West, she had been struck by the amount of what appeared unnecessary work which the DOE Regional Office were doing. She thought that MOD should be able to find major savings - perhaps by putting some of their maintenance staff into uniform and thereby achieving greater efficiency. Lord Soames interjected that he would like to close down at least one dockyard, and several Defence research establishments. He was also confident that greater savings could be found in the Treasury Departments. In fact, he had information that the Revenue had advised the Chancellor that larger savings than the 6.6 per cent offered could be made; but the Chancellor, for reasons he did not understand, had rejected this advice. Lord Soames went on to say that the MAFF offering of 0.3 per cent cuts was ludicrous. It was absurd to imagine that out of a staff of over 40,000 they could only reduce their staff by 66 without damaging the interests of British agriculture. More generally, however, he did not think it was worth cutting back the Civil Service if the work would thereby have to be done outside the Civil Service at higher cost.

The Prime Minister said that if Ministers failed to produce "better" options, a ban on recruitment in their Departments would have to be imposed. Lord Soames said that he would not wish to go down this path because it would make for inefficient and bad Government; it would be far better to get agreement on cuts at the desirable level.

/ In conclusion,

In conclusion, the Prime Minister said that she would give Lord Soames her fullest support in Cabinet. She added, however, that for her position to be credible with colleagues, the Cabinet Office would need to find savings of 10%. So far they appeared to have found savings of considerably less than this. Achieving the full 10% cut in Cabinet Office staffing would no doubt be difficult, but an effort had to be made.

R.

10 September 1979