

SECRET

b.c.: Mr. Stowe  
Mr. Wolfson  
Mr. Ridley  
Mr. Ryder

File



10 DOWNING STREET

Original on Economic  
Policy:  
Strategy  
May 79

From the Private Secretary

MR. VILE

PAY AND CASH LIMITS

The Prime Minister has now read Sir John Hunt's brief of 4 May on the above subject. She has made the following comments:

- (i) On teachers' pay, she thinks the previous Administration were quite right to oppose the teachers' request that their comparability study should be no more than an up-date of Houghton. She thinks the previous Administration were quite right to insist on "an honest comparability study done with full weight given to the non-pay terms and conditions of teachers service".
- (ii) On PAR, she has commented that the PAR studies were well nigh useless and took up a lot of time.
- (iii) On paragraph 7, the Prime Minister agrees that it would be highly desirable to conduct early reviews of local authority expenditure and NHS expenditure with a view to identifying - and getting rid of - waste. I will be commissioning reports from DOE and DHSS respectively on these; but no doubt Sir Derek Rayner will also have an important role to play here.
- (iv) On comparability, the Prime Minister cannot confirm that comparability is the key to establishing public service pay. (She has of course already commented on this - see my note of 6 May.)

See separate files under Local Govt & Nat Health.

/The Prime Minister

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The Prime Minister agrees with Sir John Hunt's conclusion - that Ministers or Ministerial Committees will need to be asked at an early stage to produce papers and proposals on the various issues touched on in the brief, but she would first like to have a general discussion in Cabinet, and with this in mind she would be grateful for an annotated agenda which could be circulated to colleagues.

R.

P.S.

As regards the reports from DOE and DHSS ( (iii) above) I would be grateful if you would let me have drafts of the commissioning letters for me to send.

8 May 1979

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Ref: A09553

Top copy on:  
Local Authy  
May 79: Waste

MR. LANKESTER

Pay and Cash Limits

In your minute to me of 8th May in which you conveyed the Prime Minister's comments on Sir John Hunt's brief of 4th May on pay and cash limits, you asked for draft letters to the Departments of the Environment and of Health and Social Security commissioning reports on ways in which the problem of waste in local authority and NHS expenditure might be tackled.

I attach a draft herewith.

(M. J. Vile)

14th May 1979

DRAFT LETTER FROM TIM LANKESTER TO  
ERIC SORENSEN, DOE

Waste

The Prime Minister has been considering the problem of waste in the public sector outside central government. She regards this as an important area for study, in its own right, and as a way of helping the local authorities and the NHS to absorb the costs of recent pay increases while still living within their cash limits. As you know, she has appointed Sir Derek Rayner to advise her on the general question of 'waste': but he intends to concentrate initially at any rate on central government. The Prime Minister would therefore be glad to have your Secretary of State's own views on the best way of attacking the problem.

I am sending copies of this letter, with a similar request, to Don Brereton (DHSS) Kenneth Mackenzie (Scottish Office) and George Craig (Welsh Office).