PREM 19/152

32/42

PART 6

Confidential Filing

Long Term Management and Manpower Policy
Slimming Down Staffs engaged in
Local Authority Affairs.
Performance related pay.

CIVIL SERVICE

Part 1 : March 79

Part 6 : August 80

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~6.10.80~~							
~~7.10.80~~							
~~9.10.80~~							
~~10.10.80~~							
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~~13.11.80~~							
~~14.11.80~~							
~~18.11.80~~							
14.11.80							
endo							

PREM 19/152

PART 6 ends:-

Trade to MAP 14.11.80

PART 7 begins:-

Ms CSD to PM 18.11.80

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
C (80) 56	17.10.80
CC (80) 36th Meeting, Minute 7	23.10.80

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed C Wayland Date 17 June 2010

PREM Records Team

✓ MAP

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

MANAGEMENT IN CONFIDENCE

Mike Pattison Esq
Private Secretary
10 Downing Street
London, SW1

14 November 1980

Dear Mike

CIVIL SERVICE MANPOWER REDUCTIONS

My Secretary of State has been considering the proposal for an announcement on departmental targets, latterly in the light of your letter of 13 November.

You will be aware that the major element of the manpower reductions of this Department involves our making changes to the Insolvency Service to remove from its ambit personal bankruptcy. As a prelude to the necessary legislation, we issued in July this year a Green Paper setting out our proposals. This has met with universal opposition, and there is already considerable Parliamentary feeling against the changes. We can therefore anticipate considerable difficulty when we bring forward a Bill, which we are planning for the 1981/82 Parliamentary Session. A retreat on the proposals will in any case be damaging to the Government, but my Secretary of State feels that it will be made worse if the departmental target for manpower is obviously under threat as well.

Despite these anticipated difficulties Mr Nott is pressing ahead with an examination of the options for overcoming or meeting the objections voiced. He can, however, see no way of achieving departmental reductions on the scale required without this change in the Insolvency Service.

My Secretary of State has therefore asked me to say that he views with some reservation greater publicity for a departmental target which in our case is presently looking precarious.

I am sending a copy of this letter to David Wright (Cabinet Office) and Jim Buckley (Lord President's Office).

Yours sincerely,

Stuart Hampson

S HAMPSON
Private Secretary

MANAGEMENT IN CONFIDENCE

✓ MAP

PRIME MINISTER

I have seen Christopher Soames' minute to you of 7 November, and agree with the points made by Peter Walker in his minute of 12 November. Although he speaks in terms of the 6 months which have elapsed since you announced the global targets for Civil Service manpower but 1 April 1984, it is in fact only 2 or 3 weeks since Cabinet considered what this target meant for individual Departmental Ministers. This was because the plans proposed by Departmental Ministers did not match up with the global target and therefore increased targets for individual departments had then to be allocated, on none to scientific a basis, in order to achieve the global target. Of course we accept the new target figures as targets. However, I think that that is a quite separate thing from being able to explain to backbenchers, the media and the Unions, my "plans", to use Christopher's word, about how I intend to achieve the target for my department.

The Cabinet's decision means that I have, as my target, to find more than 3,000 staff savings over and above my existing commitments, which then included more than 2,000 staff savings from means yet to be identified. Because of the Cabinet's decision urgent reviews of the further scope for additional reductions, both in terms of functions and efficiency have been instituted. I am prepared to do my utmost to achieve the manpower reductions target required of me by the Cabinet decision. But that is an entirely separate issue from being able to explain now, both confidently and in detail, to backbenchers, the media, the public and the Unions, how this is going to be achieved.

I think we can hold off an announcement for a month or two without loss of credibility and I believe that an announcement then, with Ministers better able to give flesh to the bare outlines of departmental targets, will carry more conviction.

I am sending copies of this minute to Cabinet Colleagues, including Minister of Transport, and Sir Robert Armstrong.

P.J.

14 November 1980

MAP

Cord Service

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

I am worried about the Lord President's proposal in his minute to you of 7 November to announce specific targets for each Department to be attained by 1 April 1984.

2. Although the figures were described at the time as "firm targets" they were nevertheless expressly subject to the reservation that they were figures which Ministers should "do their utmost to ..... achieve".

3. While collectively and publicly we are committed to a target of 630,000 and we will all in our own fields do our utmost to make a full and proper contribution to greater economy and efficiency, few if any of us can say at this stage with any degree of certainty how the figures will be achieved. I would expect that some of the individual targets will not be reached, in which event the Government would be exposed to political criticism, even if the shortfall were to be made up elsewhere. It is in my view quite sufficient to have one target which will impose the necessary discipline overall: to have a multiplicity of targets simply increases the number of instances where it could be claimed we have failed.

4. In my own case there are particular dangers because of the Budgetary implications. We have already reduced our staff overall by nearly 11,000 since we came into office and we are planning further substantial efficiency savings. But just to achieve a figure of 107,000 or so which is the basis on which we have been planning - and a fortiori the 102,600 the

/Lord President

Lord President specifies - involves far reaching tax changes, such as an increase of 20 per cent or more in thresholds in real terms, the abolition of the investment income surcharge, and a further substantial increase in the capital gains tax threshold. These tax changes in themselves imply a revenue loss running into £billions. The contrast between what we shall have to do in 1981 by way of increases in taxation (needed to offset upward pressure on public expenditure), and what we would need to claim we were hoping to do by 1984 to justify the target figures of staff reductions, shows clearly how unwise it would be to follow the course proposed by the Lord President; I am very anxious not to get hooked on a target for staff numbers which in the event proved inconsistent with the monetary objectives set out in our Medium Term Financial Strategy.

5. There are other difficulties which I do not need to enlarge upon. I cannot explain the reductions in numbers to my Staff Sides, as I cannot disclose to them my Budgetary plans for future years. And what would seem to be arbitrary cuts in the capability of the Revenue Departments would only intensify the criticism we shall face from the PAC and others about the need to deal effectively with tax evasion and the black economy generally.

6. I recognise, of course, the need to maintain the pressure for reductions in the number of civil servants and to convince both our employees and the wider public that we mean business. But I am afraid that the sort of announcement Christopher Soames has in mind would merely stimulate questions we should not be able to answer without really helping us to make our own organisation more efficient and economical.

(G.H.)

14 November 1980

CONFIDENTIAL

✓MAP

Caxton House Tothill Street London SW1H 9NA
Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

The Rt Hon Lord Soames GCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON SW1

14 November 1980

Dear Christopher

CIVIL SERVICE MANPOWER REDUCTIONS: DEPARTMENTAL TARGETS

You copied to me your minute of 7 November to the Prime Minister, and I have also seen the Minister of Agriculture's minute of 12 November and the Prime Minister's Private Secretary's letter of 13 November.

I entirely agree that an early announcement on the manpower cuts is needed. Otherwise, as you say, we shall get speculation, leaks and uncertainty.

For my own part, I urgently need to tell the Manpower Services Commission, the Health and Safety Commission and ACAS their share of the cuts falling on the DE Group. The MSC in particular will shortly be finalising their Corporate Plan for the next five years and to do this they must know what manpower reductions they will have to bear. Moreover, the longer I defer telling these bodies what reductions they must make, the greater the likelihood of difficulty in achieving the cuts.

I very much hope,therefore, that a general announcement can be made as early as possible in the new session. If not, I shall need to go ahead with informing the Commissions and ACAS, and the Staff Side, which will inevitably lead to the DE Group's reductions becoming public knowledge. But I would, much prefer to do this at the same time as a general announcement.

I am copying this letter to the recipients of your minute.

Yours
Jim

✓MAP 2 pps

PM/80/79

PRIME MINISTER

Civil Service Manpower Reductions:
Departmental Targets

1. I have seen the Lord President of the Council's minute of 7 November in which he suggests that an announcement should be made towards the end of this week about the departmental targets for the number of Civil Servants at 1 April 1984. As you know, the Lord Privy Seal explained on my behalf in Cabinet the difficulties that I foresaw in reaching the target proposed by the Lord President. My ability to do so depended to a considerable degree on the outcome of the review of the Department of Overseas Surveys and the India Office Library and Records. The result of the DOS review will be known in early December. I would therefore prefer that any announcement be deferred until next month.

2. I am sending a copy of this minute to the Lord President of the Council.

C

(CARRINGTON)

Foreign and Commonwealth Office

14 November 1980

NBPM 921-

Civil Service Department
Whitehall,
London, SW1A 2AZ

With the Compliments

of the

Lord President of the Council

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

14 November 1980

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Chancellor,

In your minute of 7 November to the Prime Minister you say that you strongly suspect that as a rule Assistant Secretaries and above are overpaid compared with the private sector.

In view of the fact that (1) the present Under Secretary rate is £3,000 below that recommended by TSRB and, flowing from that decision, the present Assistant Secretary maximum is £2,500 below that indicated by the pay research evidence; and (2) Sir Derek Rayner, when Deputy Chairman of the Pay Research Unit Board, personally conducted a rigorous examination of the comparisons made by the Unit at Assistant Secretary level and satisfied himself that they had been properly carried out; I would be grateful if you would let me know what evidence you have to support your suspicion. Since you have sent your letter to colleagues I think it all the more important to resolve this.

I am copying this to the Prime Minister, Cabinet colleagues, including the Minister of Transport, Sir Derek Rayner and to Sir Robert Armstrong.

Yours sincerely,
Buckley.
(Private Secretary)
Dictated by the Lord President and signed on his behalf.

SOAMES

CONFIDENTIAL

Civil Service
a Cabinet
Trans.
CO

10 DOWNING STREET

From the Private Secretary

13 November 1980

The Prime Minister has seen the Lord President's minute of 7 November, in which he proposes to announce the departmental targets for Civil Service manpower reductions agreed at Cabinet.

The Prime Minister has also seen the comments on this proposal from the Minister of Agriculture and the Secretary of State for Defence, and she understands that the Chancellor of the Exchequer has also expressed reservations. In these circumstances, the Prime Minister does not believe that it will be possible to make his announcement this week. She is, however, in favour of an announcement of the targets adopted by Cabinet, and she hopes that colleagues will, on reconsideration, find it possible to agree the Lord President's proposal in time to allow him to make one early in the new session.

As I told you yesterday, the Prime Minister believes that an announcement might usefully include more rounded figures, with the contingency margin specified in the detailed list.

I am sending copies of this letter to Private Secretaries to members of the Cabinet including the Minister of Transport, and to David Wright (Cabinet Office).

W. K. PATTISON

Jim Buckley Esq
Lord President's Office.

MFJ cc. MR. PRIESTLEY

MR COLMAN

The Prime Minister was interested to see your letter to me of 10 November about the CSD's role in establishing staffing and management formulae.

She would like to see the report of the review of the DHSS management formula when it is available.

MAP

13 November 1980

PRIME MINISTER

At the weekend, you agreed that Lord Soames should announce the new manpower targets, by Department, for 1984.

The Parliamentary answer has not yet been given, to ensure that colleagues were content. We now have strong objections from Peter Walker (Flag A) and Francis Pym (Flag B). Mr Walker argues that the targets will appear arbitrary at this stage, because individual Ministers cannot yet tell their staff sides where the cuts will fall. Mr. Pym argues that the targets are still very much provisional.

I understand that the Chancellor is also very unhappy. He believes that the manpower targets may yet conflict with other targets - in the short term, he may well need more staff both to collect taxes and to borrow money, and he shares the doubts expressed by Mr. Walker about the timing of an announcement.

Given these protests, you may think it better to ask Lord Soames to hold back. If he can persuade colleagues of his case, he can still make the announcement early in the new session without losing anything. Agree?

MAP

Yes mt

12 November 1980

CONFIDENTIAL

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1

From the Minister

12 November 1980

PRIME MINISTER

CIVIL SERVICE MANPOWER REDUCTIONS: DEPARTMENTAL TARGETS

On returning from Brussels I have today seen Christopher Soames' minute to you of 7 November, in which he proposes that the Departmental targets for staff in post for April 1984 should be announced this week (I gather that he is thinking of doing this by Written Answer tomorrow).

I think this is highly undesirable. The announcement of Departmental targets will lead to immediate and continuing pressures from the Trade Union Side and from all the outside interests concerned for details of precisely how we intend to achieve them. Most Ministers in charge of Departments cannot at this stage give such details, either because plans for the privatisation, transfer or abolition of functions are not yet sufficiently advanced or because measures to improve efficiency are still being worked out.

This will make our decision on numbers look wholly arbitrary, and maximise the uncertainty and concern which Christopher is anxious to avoid. I suggest that it would be better to leave it to Departmental Ministers to announce their own plans for staff reductions as and when they find it convenient to do so.

I am sending copies of this minute to Cabinet colleagues and Sir Robert Armstrong.

PETER WALKER

CONFIDENTIAL

MO 2/2/6

LORD PRESIDENT OF THE COUNCIL

CIVIL SERVICE MANPOWER REDUCTIONS:
DEPARTMENTAL TARGETS

Thank you for sending me a copy of your minute to the Prime Minister of 7th November.

2. I agree that, on balance, the time is approaching for an announcement of departmental targets. The difficulty about an announcement is that we still cannot say with any precision or conviction how the targets will be achieved, and for that reason I have, as you know, to continue to regard 200,000 as a target for which I am aiming, not an absolutely firm commitment. Much will depend on the degree of privatization it proves possible to implement by 1984.

3. My other point concerns GCHQ. The new target requires a reduction of over 1000 posts in GCHQ compared with the 1979 numbers borne on MOD. There is no way in which I can carry in my numbers any preferential treatment for them, unless my target is revised. Decisions are therefore urgently needed on their future level of activities.

4. I am sending copies of this minute to the Prime Minister, the Foreign and Commonwealth Secretary, and the Chancellor of the Exchequer; and to Sir Robert Armstrong.

FR

Ministry of Defence

11th November 1980

MR RUSSELL

cc PS/Minister of State
Mr Wilding (OR)
Mr Pestell
Mr Wollen
Mr Byers
Mr Jarmany
Mr R W Morris
Mr Phillips
Mr Rich

Mr Pattison (No 10)
Mr Priestley (Cabinet Office)
Mr Allen (COI)
Mr Chard (COI)

EFFICIENCY EXHIBITION

On Friday 7 November I met Mr Priestley, Mr Pattison, Mr Connolly (M&S) and Mr Allen (COI) to discuss the proposed "Efficiency Exhibition".

2. The first point established was that the exhibition should not be a before and after record of achievement. The message to be directed at Ministers must illuminate how expensive was the machinery of which they are the managers. It should then show them how economies might be achieved notably in housekeeping costs. In the course of that we might refer to savings already made.

3. Further to Mr Pestell's minute of 28 October, I have had a word with Mr Rich who will assist Mr Morris and Mr Phillips in the preparation of material about total expenditure. I have also had a word with Mr Byers about obtaining from PSA information on an aggregate basis on rent, rates, heating, lighting, etc.

4. On dates, the Minister of State's preliminary view was that we should aim to set up shop shortly before the Cabinet meeting on 11 December. But Mr Pattison concluded that that would not be as suitable a week as the week commencing 1 December when there were several functions at which the message might usefully be put over. If for any reason it should prove inappropriate or impracticable to put on the display in that week it could be postponed until week commencing 12 January provided that Mr Pattison could have 24 hours notice.

5. I attach a provisional timetable which aims to have the exhibition in place on the afternoon of Tuesday 2 December. As Mr Allen and Mr Chard of COI now know the intention is that it should consist of 4 or 5 free standing panels. We must consider shortly, because this will affect the nature and quality of the materials used for the exhibition, whether it should subsequently have a more permanent home in, for example, CSD or the College. We must also discuss with Mr Pattison a time at which it would be convenient to remove the panels from No 10.

H K GOOD
11 November 1980
Enc

ANNEX

EFFICIENCY EXHIBITION IN NO 10

TIMETABLE

11.11.80	CSD/COI meet to discuss content and presentation
17.11.80	Mock ups to be ready to show Minister of State for -
18.11.80	Decision on form of presentation and specifically on editorial content
27.11.80	Panels to be ready in final form
2.12.80	Panels to be placed in position at 2 pm.

Ref. A03524

MR. LANKESTER

Civil Service Manpower Reductions: Departmental Targets

The Lord President minuted the Prime Minister on 7th November proposing to announce by Written Answer at the end of this week the firm Departmental targets for the number of civil servants to be in post at 1st April 1984.

2. I recommend that the Prime Minister should support this. The Answer when it appears is likely to lead to individual Ministers being pressed about how they propose to achieve their targets and their replies will no doubt be scrutinised carefully by the House and also by Civil Service unions. But this sort of pressure on Departments should help to ensure that they are kept up to the mark over their targets.

3. We have no comments on the terms of the Lord President's draft Answer. It is, however, for consideration whether all the targets for staff in post should be rounded to the nearest appropriate 10, 25 or 50. Figures of, for instance, 16,006 for the Lord Chancellor's Department or 9,084 for the Lord President's Departments have a spurious air of precision and look curious set against a figure of 200,000 for the Ministry of Defence or 49,000 for the Employment group. In addition, since the draft Answer refers to the Contingency Reserve, it would be preferable to include specific mention of this in the list of Departmental targets and to make the overall Civil Service target in the list 630,000 (the figure mentioned in the draft Answer) rather than 615,000.

D. J. Wright

D. J. WRIGHT

11th November, 1980

AB

CONFIDENTIAL

NBPM

MAP 11/xi.

Prime Minister

PAY AND PERFORMANCE

I have been thinking about the Lord President's minute to you of 28 October, in the light of the comments from the Home Secretary and other colleagues.

I fully support the objectives and believe that we ought to be able to introduce a Civil Service scheme which relates pay to performance. However, I share the Home Secretary's view that we should tackle the important question of performance-related pay at a rather more cautious pace than the Lord President envisages. I very much welcome a thorough examination on the matter, and as soon as possible; but I have at present considerable reservations about making the Under Secretary grade alone the focus of what will be a major new step within the Civil Service - and at a time when the financial room for manoeuvre is bound to be extremely limited. I would hope that we could avoid any commitment, even in principle, to a scheme along the lines of the Lord President's Annex B until it is clear whether such a scheme is practicable and acceptable, and whether we shall be able to follow it with a wider application of pay and performance arrangements throughout the Service.

I am copying this minute to the recipients of the Lord President's minute.

PJ

CONFIDENTIAL

cc Mr Wolfson.

CS
Long Term
11/11

CIVIL SERVICE DEPARTMENT
WHITEHALL LONDON SW1A 2AZ
Telephone 01 273 5400

Sir Ian Bancroft G.C.B.
Head of the Home Civil Service

Mike Pattison Esq
10 Downing Street
LONDON SW1

10 November 1980

Dear Mike,

THE ROLE OF THE CSD IN STAFFING FORMULAE

Following the presentation to the Prime Minister by the DE/DHSS scrutiny team you enquired about the CSD's role in the use of staffing formulae. I understand that the team had drawn attention to overstaffing which appeared occasionally to result from the use of such formulae.

... I attach a note which describes the current use of staffing and management formulae in departments, and the CSD's approach to them. These formulae are intended, as the note says, to ensure tight and uniform standards of complementing. But we are well aware that management is not a matter of arithmetic and that the formulae need to be kept constantly under review in the light of improvements in working methods and techniques of measurement. The note describes the reviews which are currently in hand in the departments in which the formulae are used. I draw your particular attention to the review of the Management formulae in DHSS which sets the ratio between the number of senior staff and junior staff in local offices (paragraph 8-9). A report on this review will be ready within the next month.

Yours ever,

Jeremy Colman

JEREMY COLMAN
Private Secretary

PRIME MINISTER

You asked about the CSD's work on "staffing formulae".

The attached note sets out the CSD's interest both in work measurement to settle staffing levels and (right at the end) in management formulae. It is the management formula point which arose from the unemployment benefit study.

The CSD say that they do not have individual specialists dealing with these questions, but they are one responsibility of the divisions who monitor the general staffing activities of departments.

Would you like to be informed of the outcome of the review now in progress on the management formula for DHHS local offices?

Yes pl

MT

11 November, 1980

THE CSD AND STAFFING AND MANAGEMENT FORMULAE

Staffing Formulae

Staffing formulae are used to relate staffing requirements to workloads in some local office networks where the work is repetitive, homogeneous and susceptible to measurement. For work of this kind, a formula is a good means of ensuring tight and uniform standards of complementing. Relatively small samples can represent the whole. Falls as well as rises in the level of work are automatically reflected. The work of assessing and correcting the formulae is detailed, precise and time consuming, but necessary.

Areas Covered

2. The main areas are:

i. Inland Revenue: About 68,000 staff in the Taxes, Valuation and Collection Services Networks.

ii. Department of Health and Social Security: About 65,000 staff in Social Security Local Offices.

iii. Department of Employment Group: About 35,000 staff in Unemployment Benefit Offices and Local Offices of the Manpower Services Commission such as Jobcentres.

iv. Lord Chancellor's Department: About 5,000 staff in County Courts.

The total number of staff covered by these formulae is about a quarter of the Civil Service. It is therefore very important to get them right.

Method of Operation

3. There are three main stages in constructing formulae. The first is the measurement of the time a civil servant takes to perform a particular unit of work such as assessing a claim for supplementary benefit or amending a taxpayer's records. The second is forecasting the total number of these work units that is expected in a given period. The final stage is calculating the total number of staff required by relating the expected workload to the amount of time required to perform each work unit.

4. A number of recognised work measurement and statistical techniques are used in these three stages. The way in which the staffing formulae are calculated or used is generally agreed with departmental Staff Sides, as are changes in their operation.

CSD Role

5. In order to control Civil Service manpower, the CSD must be satisfied that these formulae are sound. There is a natural tendency to inflate them, eg as a result of Staff Side pressure. We therefore require departments to submit any proposals for a new formula, or

for changes to an existing formula; and exercise the right for our own work measurement specialists to examine a new or revised formula. CSD also requires departments to maintain a regular check on the operation of their formulae by means of staff inspection. CSD staff inspectors regularly take part in such inspections so that we can check the working of the formulae "on the ground". These processes enable us to ensure, among other things, that a decline in workload is accurately reflected by a commensurate decline in staff.

6. CSD is at present engaged in a programme of reviews of the formulae in four departments:

i. A review of the Unemployment Benefit Offices in the Department of Employment was completed earlier this year and resulted in recommendations for reductions of about 1,400 staff due partly to the introduction of more accurate measurements and partly to the introduction of ADP. It is this reduction of staff, at present being implemented, which has provoked Staff Side resistance. Following the introduction of Fortnightly Payments, further work has now started from which further substantial savings should accrue;

ii. In the County Courts of the Lord Chancellor's Department where, though no firm conclusions have yet been agreed, savings of the order of ~~4%~~ 5 (some ~~200~~ 250 staff) should emerge;

iii. In the Valuation Offices of Inland Revenue where a similar order of savings is likely;

iv. In the tax offices of Inland Revenue where work has just started; and,

v. In DHSS where a revised formula for local office complementing is now under scrutiny to see whether it can be tightened.

In all these cases CSD work measurement specialists are involved in the reviews themselves and in the subsequent discussion and agreement by CSD Manpower Division of the proposed changes in staff levels.

7. C(80)56 on Civil Service Manpower pointed up the large numbers of extra staff required to cope with rising unemployment - up to 2,000 new staff for every 100,000 unemployed above 2 million. In addition to detailed discussions between officials about a possible further tightening of the formulae, the Lord President has asked us to consider whether any other short-term action could be taken to limit staffing in the local office networks affected. There are industrial relations problems here since work measurement cannot be done without a minimum level of co-operation by the staff. But we shall be reporting to him shortly on possible moves.

Management Formulae

8. In departments such as DHSS and DE the complementing systems also set a ratio between the number of senior staff and junior staff in a local office: these are known as "management formulae". They differ from staffing formulae in that they are based not on measurement but on pre-determined ratios of one grade to another.

9. The DHSS management formula affects about 3,000 staff in DHSS local offices in the HEO, SEO and Principal grades. The present version of the formula was established in 1974 by a collective Ministerial decision of the previous Administration after intense Staff Side agitation. CSD had subsequently to judge the right time to press for a review of the formula, which we believe is over-generous. This was done in the context of the 1978/79 Estimates. The review has taken some time to mount because of the need for DHSS management to carry their Staff Side with them on an extremely sensitive matter. A report of the review will be ready within the next month.

✓ MAP

Civil Service

PRIME MINISTER

PAY AND PERFORMANCE

I support the arguments in the Home Secretary's minute of 2 November in which he commented on the proposals made in the Lord President's minute of 28 October. I agree in particular with his suggestion that we take a little more time to consider the issues involved.

At the same time I am in favour of rewarding merit and encouraging better performances. To this end, may I put forward an alternative suggestion? This would be a system under which there was a range of pay for Under-Secretaries, who would move from one level to the next only after satisfying top management of their suitability for such an increase. This would enable the highly competent Under-Secretary to move steadily up the range, while an Assistant Secretary promoted to Under-Secretary who turned out to be less able, would remain at the bottom.

I am copying this minute to those who received copies of the Lord President's minute.

MA

2

SECRETARY OF STATE FOR ENERGY

10 November 1980

Civil Service

10 DOWNING STREET

Chief Yes.

NBPM with further comments on pay and performance, now that it is going to Cabinet?

MAP
10/XI

CONFIDENTIAL

PRIME MINISTER

PAY AND PERFORMANCE

I entirely share the doubts expressed by the Home Secretary about the Lord President's proposals to you in his minute of 28 October.

I have considerable doubts whether we would on balance do anything to improve motivation by introducing monetary incentives for senior management in the Civil Service. Certainly I believe it would be unwise to rush into a scheme for the particular grade of Under Secretary. I hope we can take a more considered look at the whole issue.

I am sending copies of this minute to Cabinet colleagues, the Minister of Transport, Sir Robert Armstrong and Sir Derek Rayner.

J P

10 November 1980

CONFIDENTIAL

Prime Minister
Charles Stevens
DTC 7/11/80

PRIME MINISTER

CIVIL SERVICE MANPOWER REDUCTIONS: DEPARTMENTAL TARGETS

Now that Cabinet has agreed on firm departmental targets for the number of civil servants at 1 April 1984, I think it necessary to announce them. It is nearly 6 months since you announced the global target. You said then that Ministers in charge of Departments would be working out detailed plans. Parliament, and in particular the Treasury and Civil Service Committee, will now expect us to know where the savings are to come from. We shall avoid speculation, leaks and uncertainty if we make an early announcement.

If you agree, I propose that this should be by Written Answer towards the end of next week. I attach a draft. I have sought to find a form of words which leaves it to colleagues to decide the extent they wish to announce firm plans.

I would inform the Select Committee and the Civil Service Unions at the time of the announcement. I would let colleagues know when this would be. They would no doubt then wish to get on with informing staff and their representatives.

I am sending copies of this minute to Cabinet colleagues, including the Minister of Transport and Sir Robert Armstrong.

Agreed MT.

S.

SOAMES

7 November 1980

CONFIDENTIAL

DRAFT PQ

To ask the Lord President of the Council what plans the Government has for reducing the size of the Civil Service.

DRAFT ANSWER

My Right Honourable Friend the Prime Minister announced on 13 May that the Government intended to reduce the size of the Civil Service to about 630,000 over the next four years. Circumstances are bound to change over the period ahead, and we are therefore aiming at an aggregate figure below 630,000 in order to allow a margin for contingencies. The Government has now settled manpower targets for individual departments for 1 April, 1984. These figures, and those of the staff in post on 1 April 1979 and 1 October 1980, are given below.

Each departmental Minister has his general plans which will be developed in detail over the period as circumstances evolve.

DEPARTMENT	STAFF IN POST AT 1 APRIL 1979	STAFF IN POST AT 1 OCTOBER 1980	TARGET STAFF IN POST AT 1 APRIL 1984
MAFF	13,956	13,406	11,550
Chancellor of the Exchequer's Departments	126,905	115,938	102,600
Defence	247,660	235,226	200,000
Education and Science	2,647	2,571	2,190
Employment Group	53,652	50,912	49,000
Energy	1,267	1,222	1,090
Environment and Ordnance Survey	56,039	49,360	41,435
FCO/ODA	12,078	11,605	11,090
Health and Social Security	98,369	97,917	87,700
Home Office	33,490	34,924	34,900
Industry	9,514	9,120	7,320
Lord Chancellor's Departments	16,518	16,370	16,006
Lord President's Departments	12,957	12,289	9,084
Northern Ireland Office	216	219	200
Scottish Office	11,119	10,911	10,000

DEPARTMENT	STAFF IN POST AT 1 APRIL 1979	STAFF IN POST AT 1 OCTOBER 1980	TARGET STAFF IN POST AT 1 APRIL 1984
Trade, Office of Fair Trading and Export Credits Guarantee Department	9,940	9,458	8,425
Transport	13,908	13,291	10,725
Welsh Office	2,607	2,388	2,195
Other Departments	9,516	9,948	9,476
TOTALS (rounded)	732,300	697,100	615,000

CONFIDENTIAL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXXX~~ 218 2111/3

MO 20/17/6

7th November 1980

NBPM.
Thus

Dear Clive,

PAY AND PERFORMANCE

My Secretary of State has seen the Lord President of the Council's minute to the Prime Minister of 28th October and has asked me to record that he agrees with Lord Soames' proposal that officials should proceed with work with the aim of introducing from April 1981 a scheme for performance-related pay for the Open Structure of the Home Civil Service.

My Secretary of State regards the real need, however, as being for a wide ranging scheme; he hopes that any early scheme of a very limited nature will not prejudice, or put at risk, the introduction subsequently of a wider scheme.

I am sending copies of this letter to John Wiggins (HM Treasury), Jim Buckley (Civil Service Department) and David Wright (Cabinet Office).

Yours ever.
Brian

(B M NORBURY)

C A Whitmore Esq

CONFIDENTIAL

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

NBPM

PAY AND PERFORMANCE

I strongly support in principle the introduction of performance-related pay, about which Christopher Soames minuted you on 28th October.

2. However, I should let you know that the Heads of my Departments are unanimous in expressing anxiety about introducing the particular scheme proposed in the Annex to Christopher's letter, on the timescale which he proposes. They have pointed out to me that there are unresolved problems about its administration - for example, the self-financing formula means that merit pay in each Department could only be given to some at the expense of others in the same Department and not in relation to any general criterion, and there are difficulties about specialists and small Departments. They also believe that the questions of principle involved in introducing merit pay at this level need more consideration.

3. I have not had the opportunity to take a firm view of the weight and validity of these arguments, but they clearly need to be considered. Would there be time to do so adequately if we had to introduce this scheme by 1st April? But I do have two important reservations of my own.

CONFIDENTIAL

4. The first is whether the present proposals go far enough. Although a scheme at Under Secretary level is relatively easier to introduce, the case for it at lower levels in the Civil Service seems very much stronger. It may be preferable to introduce a more far-reaching scheme over a narrower front on an experimental basis. In doing so it would be useful to look at what other Governments do, e.g. France.

5. The second relates closely to the question of self-financing. I strongly suspect that on average pay levels at the levels of Assistant Secretary and above are rather higher than in the private sector, both for administrative and specialist grades - in other words that present comparability criteria lead to overpayment as a rule. I also believe that merit payments must be substantial if they are to have any point whatever. So I am led to presume that the proper way ahead to a self-financing (or even money-saving) system which will ease unfair pressures on private employers would be, in outline, to

(1) reduce "basic" pay levels substantially;

(2) apply the money saved to provide quite large merit payments.

6. I am copying this letter to those who received Christopher Soames' minute of 28 October.

(G.H.)

7 November 1980

CONFIDENTIAL

Civil Service

10 DOWNING STREET

From the Principal Private Secretary

7 November 1980

Dear Jim,

Pay and Performance

The Prime Minister has seen the Lord President's minute of 28 October 1980 and the accompanying paper about a scheme for performance-related pay for the Open Structure of the Home Civil Service.

She has also seen the comments which some of her Cabinet colleagues have offered on the Lord President's proposals, beginning with the Home Secretary's minute of 2 November. Since there is clearly not unqualified agreement with the Lord President's suggestion that officials should press ahead with the detailed preparation of a scheme on the basis of Annex B to his paper, she sees no alternative but to discuss the matter in Cabinet. She would be grateful if the Lord President would circulate a paper to Cabinet which not only sets out his essential proposals but also responds to the main points which other members of the Cabinet have made in commenting on his minute.

I am sending copies of this letter to the Private Secretaries to other members of the Cabinet and to the Minister of Transport. Copies also go to Sir Robert Armstrong and Sir Derek Rayner.

Yours ever,

Clive Whitmore.

Jim Buckley, Esq.,
Civil Service Department.

CONFIDENTIAL

cc David Wolfson
na MAP 7/11

Civil Service

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

7 November 1980

Mike Pattison Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Mike,

CIVIL SERVICE NUMBERS

You telephoned me last week asking for some further information on the Lord President's minute to the Prime Minister of 29 October.

In fact, since April 1979 the reduction in Civil Service numbers of 35 200 by 1 October 1980 has been achieved almost entirely by the abolition of posts. So far very little work seems to have been put out to the private sector although we have been collecting information on this centrally only since July this year. There have been a few book-keeping transactions but the largest number of those under this heading are those reported in the Lord President's minute. You may recall that I explained that 200 of these arose because one department had been wrongly including a number of casual staff in their totals and a further 1300 because certain PSA staff working for and paid for by the US Forces were excluded from the numbers to ensure consistent treatment with a similar group of staff in MOD. The only other significant change was at July 1980 when certain staff on period appointments were included in the numbers for the first time to ensure consistency with the general practice throughout the service: this added 300 to the total. Overall, between April 1979 and October 1980 these book-keeping transactions account for a net reduction in numbers of 1000.

Yours sincerely,

Jim Buckley.

J BUCKLEY

1.

PRIME MINISTER

Pay and Performance

You saw the Lord President's minute at Flag A over the weekend and agreed to wait to see how your Cabinet colleagues responded to Lord Soames' proposal that officials should prepare a scheme relating pay to performance in the Under-Secretary grade which would be introduced next April, if Ministers decided in principle in favour of such a scheme.

You may like to see the minutes at Flags B-E. Sir Robert Armstrong recommends that you agree with the Lord President's proposal. Mr Ibbs supports the Lord President's recommendation. The Home Secretary, on the other hand, is against rushing into a scheme for Under-Secretaries alone and suggests that we should look, in slower time, at the question of performance-related pay for the Civil Service as a whole. And Mr Nott suggests that the question of accelerated promotion for outstanding officials should be looked at, together with Lord Soames' scheme.

It was inevitable that a controversial proposal such as the Lord President's would produce a mixed response - I understand that Mr Jenkin is not too happy with it and may well be writing to say so, and other Ministers may also join in - and I think that the quickest way of deciding how to proceed now would probably be to have a brief discussion in Cabinet. Do you agree?

Yes. AWL.

6 November, 1980

NBPM

CONFIDENTIAL

R7111

Prime Minister

6th November, 1980

Pay and Performance

1. The Lord President's minute of 28th October enclosed a paper proposing that officials should urgently prepare a scheme of performance related pay for members of the Open Structure of the Civil Service, to be introduced from next April.

2. I must express considerable misgivings of a scheme of this kind. I certainly share the desire to see the efficiency of the Civil Service improved, but I do not believe that a scheme of this kind will achieve that. Implicit in the scheme is the assumption that senior members of the Civil Service are principally or at least significantly motivated by the prospect of financial reward. I doubt this strongly. Work in the higher levels in Whitehall certainly has its rewards - the interest of the job, the security and the pension, but people who are determined to make a fortune do not enter the Civil Service. What concerns me most, however, is that the operation of a scheme of this kind would place the Permanent Secretary in a most invidious position. I am concerned lest the resentment which could be caused on the part of those who find that they are receiving less than the average rate is potentially far more damaging than any additional motivation which the scheme might offer. It is beyond doubt that the scheme would also consume a good deal of the time of our Permanent Secretaries, who have many more important matters to deal with. The friction which would be caused would in my view outweigh the advantages, even if, which I am not convinced is the case, objective criteria as distinct from subjective assessments were a practical option.

3. I am sending copies of this minute to Cabinet colleagues, the Minister of Transport, Sir Robert Armstrong and Sir Derek Rayner.

H. of S. M.

CONFIDENTIAL

Long term reform
Rayner

PRIME MINISTER

PAY AND PERFORMANCE

TPM

I have seen Christopher Soames' minute to you of ~~28~~ October on this subject.

As Christopher says in his paper, the scheme he is proposing for merit pay awards to Under Secretaries would represent "a major change in the pay and management philosophy of the Civil Service". I am sure that we should look afresh at some of the pay conventions which exist in the Civil Service, and we should be ready to learn from comparisons with practice in the private sector.

Rather than his own proposal, however, my own preference would be to encourage motivation and the rewarding of merit through greater scope for accelerated promotion of really able officers; this would mean cutting away all age barriers to promotion and also making headroom through improved early retirement schemes. There could also be value in introducing the flexibility to reward merit in a particular grade without promotion, where normal hierarchical progression would be inappropriate.

I should like to see this kind of fundamental change looked at in detail along with Christopher's proposal for Under Secretaries. I think it would then be appropriate for us to meet to discuss our objectives in relation to the Civil Service and the most effective way of achieving them.

I am sending copies of this minute to Cabinet colleagues, Norman Fowler, Sir Robert Armstrong and Sir Derek Rayner.

JN

J N

Department of Trade
1 Victoria Street
London, SW1H OET

6 November 1980

CONFIDENTIAL

✓ MAP

Civil Service

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

5 November 1980

The Rt. Hon. Lord Soames, CH, PC,
GCMG, GCVO, CBE
Lord President of the Council

Dear Christopher

PAS

USE OF COMPUTERS

The proposals in your letter of 23 September struck a chord with me and I very much agree that the time is right to take a more systematic and wide ranging look at our use of computers. There is a danger of concentrating too much on trying to convert routine clerical operations into computer processes at the expense of overlooking the potential benefits of computer applications to management and control.

I hope that the departmental reviews you are seeking will pay full attention to the scope for standardising procedures and making use of common software programs in fields such as financial control and accounting systems. As you know, this theme is being pressed not only by our own departments but also by the C and AG and the Public Accounts Committee.

My departments are putting work in hand in order to be ready to respond to the approaches from the CCTA which your letter foreshadows. In devising their plans they will of course have to look not just at what is desirable but also at what is feasible. Thus they will have to consider whether their data processing resources (particularly manpower) are adequate to carry through whatever five year, or longer term, plan is decided on. This could lead on to organisational problems, such as whether resources should be shifted to data processing from other areas. Problems of finance and the attitude of staff and unions would also have to be borne in mind. These are difficult questions and may indicate the need for something more elaborate and time-consuming than your idea of a rough and ready initial review.

In the Inland Revenue, Customs and Excise and Department for National Savings, data processing resources are already fully stretched on existing computer projects covering major areas of clerical work - e.g. computerisation of PAYE - but there is almost certainly scope for identifying

/new and

new small projects and, as your letter indicates, the use of consultants and the opportunities presented by the packages and turnkey methods which are now available point to ways in which scarcity of resources could be alleviated. Within the Treasury itself, my officials would welcome help from the CCTA in considering various possible applications of mini and micro computers which they have in mind, and assessing their merits relative to the use of their mainframe installation.

I am copying this to the recipients of your letter.

GEOFFREY HOWE

6

CONFIDENTIAL

Civil Service

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

MAP

The Rt Hon Lord Soames PC CCMG GCVO CBE
Lord President of the Council
Civil Service Department
Whitehall
LONDON
SW1

4 November 1980

Dear Christopher,

Thank you for sending me a copy of your letter to Geoffrey Howe of 28 October about the 630,000 target.

I think there is little between us on the difficulties there are on my going any significant way to meeting the 540 additional savings target which your paper - C(80)56 - discussed by Cabinet on 23 October sets against my Department. As my letter of 17 October made clear, I just do not see this kind of target as practicable within the timescale. We discussed this briefly before the meeting on 23 October, when I thought you accepted this. It is obviously a matter of regret to me - as I am as concerned as any of our colleagues to see a significant reduction in civil service numbers and have already done more than most in this direction. I would very much want to help further if I could. I strongly support the aim of a civil service of 630,000 by 1 April 1984. But in the circumstances of my Department

CONFIDENTIAL

I really cannot be committed now to a further saving of 540 posts by 1 April 1984 on top of all those already promised. I am, however, prepared to commit myself now to achieving a 20% saving overall, or another 139 staff less than the 11,265 target agreed so far. This, together with the savings to be made in the Road Construction Unit staff paid for by me, will mean a total reduction of around 30% by 1 April 1984 of public sector manpower employed by my Department.

At the same time, I do see the difficulties you face.

If it would help, therefore, I am prepared to see the 540 figure set against my name for the time being, provided we can agree that this should be regarded as indicating that I shall be striving for all the savings I can make, rather than as a figure which I am committed to find for you. It would obviously be important that the terms of your proposed announcement should allow this interpretation and perhaps your people could consult mine on any wording for this purpose. Perhaps the most practical line would be to foreshadow some claim from me on the 15,000 contingency margin. And in due course, therefore, some adjustment might need to be made in the published figures to reflect that.

Yours ever

Norman

NORMAN FOWLER

2 pgs. 2.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON S.W.1

Prime Minister Civil Service

You may like to see Mr Walker's description of his triumphant management system.

MT 3/XI

From the Minister

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

3 November 1980

Not to us.

Dear Paul

Thank you for sending me a copy of your letter of 8 September to Willie Whitelaw about systems for controlling manpower in Departments.

As you know, my Ministry is a medium sized Department with a wide range of functions and with staff dispersed throughout the country. I see my role as, first, that of determining the tasks the Ministry should carry out and, secondly, that of establishing the broad framework, in terms both of structure and of numbers, that it needs in order to carry them out efficiently and economically. The more detailed staff requirements within that broad framework I leave to my senior officials to determine, but I review regularly their success in doing this, both on a sectoral basis and as regards total numbers.

The methods I use are as follows:-

(i) I have commissioned and carried through two major reviews of large elements of my Department's organisation which seemed to me to call particularly for examination. The first was the Management Review of the Department's regional organisation. As a result, I am reducing the number of regional offices from seven to five and of divisional offices from twenty-five to nineteen, with a saving of up to 400 staff. The second was a review, in consultation with Derek Rayner, of the way we pay capital grants (the biggest item in my Department's expenditure). Here I have decided on greatly simplified procedures, and secured Parliamentary approval of them, which again will save up to 400 staff.

(ii) I am reviewing with senior officials every area of my Department's work in turn, so as to question the need for it, to establish whether it could be carried out more economically, and to consider options for savings. This has already thrown up some useful minor economies, but generally speaking I do not believe that the functions of my Department could be substantially reduced without unacceptable damage to the industries it serves.

/(iii) I review ....

(iii) I review the totality of manpower monthly, when I receive a report of the Ministry's complement and staff in post, broken down into the major areas of activity, and accompanied by a commentary by my Director of Establishments. This is also the occasion for my considering recruitment policy. I have imposed a general ban on recruitment, subject to exceptions which I authorise as and when the case for them is made out.

By these three means - major reviews of particular sectors, an examination in turn of every area of the Department's activity, and the monthly monitoring of complement and staff numbers - I believe that I can and do maintain a satisfactory control of manpower and organisation. But I regard this as subsidiary to my determination of functions, in other words of the policies which my Ministry should follow. As a Government, we clearly have to cut our coat according to our cloth; but equally we must in my view avoid giving to arbitrary targets for manpower such a degree of priority as to confer on them absolute power to determine policies and functions.

Perhaps I could make one other point. Michael Heseltine speaks in his letter of 6 October of the difficulty of preventing and reversing the upward drift of numbers. As you will know, the drift of numbers in my own Department has for many years been downward.

I am sending copies of this letter to the other recipients of yours.

PETER WALKER

Ref: A03418

CONFIDENTIAL

MR. WHITMORE

Pay and Performance

TPM

I have seen the Lord President's proposals for a scheme for performance-related pay for the Under-Secretary grade.

2. Opinion among Permanent Secretaries - and other civil servants - is divided on the application of performance-related pay in the Civil Service. There are those who see it as out of keeping for a public service, inconsistent with the traditions of the Civil Service, and liable to introduce considerations of competitiveness to a degree which could affect the dispassionateness and even integrity with which the duty of advising Ministers on policy is discharged. Others - of whom I am one - think that it will be a good thing to have a performance-related pay scheme in the Civil Service - there is no reason in principle why it should not introduce a healthy element of incentive, beyond that provided by promotion; and, if it is properly controlled, it should quickly become apparent that attempts to qualify for merit pay by unmeritorous means do not pay.

3. I think it is a pity that we have to begin with the Under-Secretary grade. This sort of scheme has, I believe, more to offer a little lower down the hierarchy than at this level; and, as the gap between the Under-Secretary rate - which will presumably be the average - and the Assistant Secretary maximum is relatively narrow, there will not be room for large incentives. But I am afraid that, if we want to make an early start, this has to be the grade with which to do it: the practical and legal complications of the incremental system rule out starting lower than this.

4. I recommend that the Prime Minister should agree with the proposals at the end of the Lord President's paper.

RTA

Robert Armstrong

3rd November 1980

CONFIDENTIAL

✓MR

Civil Service

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

GTN Code 213

Rt Hon Paul G Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

3 November 1980

Dear Paul

PLANNING AND CONTROL OF MANPOWER

As requested in your letter of 8 September to Willie Whitelaw, I enclose a note on the arrangements for planning and control of manpower in the DE Group.

Our circumstances are rather unusual in that, as the note points out, much of the staff in the Group (some 50%) are engaged in serving the Commissions, where I control the overall numbers but the management role is for the Commissions themselves; and within DE itself the great majority of the staff are employed on a single function, the administration of unemployment benefit.

I believe, however, that our system provides all that is necessary for me to exercise Ministerial control, though inevitably differing from systems appropriate in unitary departments.

I am copying this to all Ministers in charge of Departments, and to Sir Derek Rayner.

Yours

Tom

PLANNING AND CONTROL OF MANPOWER IN DE GROUP

Review of functions and use of staff resources

1. The Department of Employment Group comprises

- the Department of Employment itself, most of whose staff are employed on the administration of un-employment benefit. The other services provided directly by DE employ comparatively small numbers of staff. A major Rayner scrutiny of the delivery of benefits to the unemployed is currently being carried out jointly by DE and DHSS, and reviews of the need for and extent of other services provided by DE have been carried out in the last year or are currently taking place in the context of staff and expenditure economy exercises

- the Manpower Services Commission, Health and Safety Commission and ACAS. The Secretary of State for Employment approves the overall staff numbers of these bodies, but does not involve himself in the detailed control of their staff levels. Each year the MSC and HSC review their programmes and submit their proposals for the next 5 years to the Secretary of State for approval, and this appraisal has been supplemented by wide-ranging and intensive reviews (including Rayner scrutinies) in the search for economies.

Approval of staff forecast estimates

2. The Public Expenditure Survey manpower forecasts for the DE Group are submitted to the Secretary of State for approval with a commentary on variations in staff levels, progress in achieving savings commitments and explanations of any additional requirements. In the case of the MSC and HSE the PES forecasts will be based on the plans approved in the Public Expenditure Survey.

3. Similarly the manpower estimates bids for the DE Group for the next financial year are put to the Secretary of State for approval in November each year.

Control of staff levels

4. The Secretary of State approves

(1) all proposals for new posts in the DE Group at Assistant Secretary level and above before reference to CSD, and

(2) quarterly limits on staff numbers for the Unemployment Benefit Service

and proposals for any substantial increases in staff in other areas of the Department.

5. The Secretary of State carries out a quarterly review of staff levels. For this purpose a commentary on staff numbers in relation to work volumes, progress towards achieving savings commitments, and the trend in relation to approved estimates is prepared together with a statement of and commentary on expenditure outturn and forecast for comparison with the supply estimate/cash limits.

6. The Secretary of State has asked the Chairmen of the Commissions and ACAS to set up arrangements for controlling staff levels which are analogous to those in paras 4(2) and 5 above. As well as approving the staff forecasts and estimates for MSC, HSE and ACAS the Secretary of State reviews the trend of staff levels in these bodies at quarterly intervals in relation to the agreed programmes, savings commitments, and approved estimates.

Scrutiny of department costs

7. Arrangements have been made for subjects selected by Ministers for detailed scrutiny under the Rayner umbrella to be remitted to an Economies Group chaired by the Permanent Secretary for investigation and report. This Group has initiated examinations of staff and other costs in a number of areas of administrative expenditure in the past year which have produced substantial savings, and its work is continuing. The Chairmen of the Commissions and ACAS have been asked to institute similar arrangements for scrutiny of costs.

✓ MAP.

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

3 November 1980

M A Pattison Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Dear Mike,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The Lord President welcomes the suggestion for an exhibition at No. 10 on administrative costs and will be glad to make arrangements for this.

A good many of the returns on running costs have still to come in from Departments, but we will start developing ideas straightaway on how best to present the cost of every-day items in use in Departments and eye catching examples of cost cutting.

Mr HKGood, of the Functions and Programmes Division here will be in charge of the preparations and, after he has had a preliminary word with COI and Sir Derek Rayner's Office, he will be in touch with you to discuss arrangements.

I am copying this to John Wiggins (Chancellor's Office), David Wright (Sir Robert Armstrong's Office) and Clive Priestley (Sir Derek Rayner's Office).

Yours sincerely,

Jim Buckley.

J BUCKLEY

PRIME MINISTER

PAY AND PERFORMANCE

I refer to the Lord President's minute to you of 28th October about performance related pay for Under Secretaries in the civil service.

I am one hundred per cent in favour of measures which will help to sustain the performance of civil servants, at all levels. I hope that the work on the incremental structure will continue and that there can also be a reform of the present protracted and tortuous procedures for compelling the retirement or down-grading of those of limited efficiency.

But I am most unhappy about picking out Under Secretaries and taking a quick decision to plunge them all into a free for all scheme of personal rates of pay. If a practicable scheme for performance related pay can be devised, there is a much better case for applying it lower down the line.

Under Secretaries work very closely with Ministers. We depend enormously on the impartiality and courage of their advice. We must not take any step which might be a move towards the politicization of the senior civil service. Even if the Departmental Minister had no formal part in fixing the individual pay rates for the Under Secretaries in his Department, can we convincingly insulate him, when he is in daily contact with the Permanent Secretary who fixes the pay levels? There could also be a problem where a Minister has views about the allocation of Under Secretaries to particular posts. We need to bear in mind how any future Government might operate the scheme.

It seems to me that there might also be a special problem over pensions. There would be great temptation to push up the pay level of someone approaching retirement. Even if the scheme was self-financing in terms of pay, the pension bill might be increased.

Would it not be wise to take a little more time and look at the question of performance related pay for the civil service as a whole, together with other measures connected with performance and retirement?

I am copying this minute to those who received copies of the Lord President's minute.

GHW.

2 November. ~~October~~, 1980.

CONFIDENTIAL

Qa 05170

To: MR PATTISON

From: J R IBBS

Pay and Performance

1. I have seen the Lord President's minute dated 28 October. My own experience of performance-related pay in the private sector is that a good scheme that is well managed thoroughly justifies the time and additional payments involved, and that the latter need not be particularly high for the scheme to be effective. I do not see the concept of public service as invalidating this experience; in the private sector there can be great dedication among management to a company.

2. One useful aspect of performance-related schemes which perhaps is not brought out in the Lord President's paper is that they also improve the quality of management in the level above those whose performance is being assessed. Annual assessments take on a new significance if the outcome has to be expressed financially and explained to those who are judged. As a result the manager tends to manage his staff more positively, throughout the year not just around the time of the assessment, than some choose to do with flat pay scales.

3. It follows that for a scheme to succeed it is most important to ensure that it is introduced with the understanding and support of those who have to run it.

4. I am sending a copy of this minute to Sir Robert Armstrong.

JRI.

31 October 1980

CONFIDENTIAL

MANAGEMENT - IN CONFIDENCE

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster
and
Minister for the Arts

29th October 1980

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1

✓MAP

Dear Paul

Your letter of 8th September to Willie Whitelaw asked for information about colleagues' manpower planning and control systems, and for reflections on management by Ministers.

The Whitehall staff directly responsible to me are very few, and I have a very good first-hand idea of what they are doing and why. Nevertheless I do not see it as my job to make detailed staff dispositions. This, in my view, is best left to the civil servants in charge, who are aware of my priorities and are expected to do their best to meet them; intervention on my part would make an already difficult job even harder.

In the case of the staff of my two departmental museums there are even stronger reasons of principle for leaving management to the Directors. It has been a fundamental principle of successive governments that Ministerial judgments in arts matters should be made "at arm's length", and that the responsibility for making day-to-day decisions should be left to responsible people with special knowledge and interests. I regard the Directors of the museums as charged with full professional and managerial responsibility for running their museums within the broad constraints and guidelines that are laid down on manpower and financil matters.

I am sending copies of this letter to the recipients of yours.

Yours ever
Norman

PS. I have read John Nott's excellent letter to you of 26th September. I find myself wholly in agreement with it - as so often John has hit the nail squarely on the head.

cc Press Office
Mr Wolfson
Mr Duguid

3BPS

Prime Minister

A less encouraging set of figures on Civil Service numbers.

MAP 29/x

PRIME MINISTER

CIVIL SERVICE NUMBERS

Departmental returns of staff in post at 1 October have just been received. The total of 697,100 is a reduction of 3,100 compared with July 1980. Since we took office, we have reduced by 35,200, or nearly 5 per cent.

Gross reductions are in Defence (1,350); the Employment Agencies - mainly MSC (750); Inland Revenue (500); National Savings (300); Environment Secretary's Departments (300) and Agriculture (250). These are offset by increases of 2,500: 1,700 of these to cope with the extra benefit work as unemployment has increased. There has also been some increase in prison staff and in some small Law and Order Departments.

But this looks better than it is, for 1500 of the reduction is only a bookkeeping transaction. So the real savings are only 1,600. This demonstrates how difficult it is to reduce numbers at a time when there are major demand-led increases. Indeed the best forecast we can make is that there will be precious little, if any, net reductions over the next year if our worst fears on unemployment levels are realised.

This underlines the need, as I explained in Cabinet, to make the maximum savings in all Departments next year if we are to keep on a downward course.

The Minister of State will announce the figures in a Parliamentary Written Answer.

SOAMES

29 October 1980

TPM LTM PT6 2

CONFIDENTIAL

Prime Minister.

This is a controversial proposal, but the Lord President is not seeking a final decision at this stage. Even so, I think it would be sensible to wait a little to see how your Cabinet colleagues react before you respond. There will in any case be a brief on planning from Sir Robert Armstrong.

AT

31 x.

PRIME MINISTER

PAY AND PERFORMANCE

I was asked by E Committee to pursue the introduction of performance-related pay. This was in the context of improvements to the Civil Service system. The matter was also raised in Sir Derek Rayner's suggestions for "lasting reforms".

I attach a paper which proposes that officials proceed at once with work with the aim of introducing a scheme for performance-related pay for the Open Structure of the Home Civil Service from next April. Sir Derek Rayner has seen this in an earlier version and supports the paper. Many senior officials however have strong reservations both about the principles underlying the scheme and the speed at which it is proposed to introduce it.

I acknowledge that there are many practical difficulties to be overcome. But if you and colleagues are content I will press ahead with all speed and report back. Would you let me know whether you agree?

I also intend that work should go forward on bringing performance-related pay lower down the Service from April 1982. I shall report on that in the course of next year. I shall also be bringing forward, in due course, proposals on succession planning for senior posts.

The pay of the staff of the Foreign Service follows that of the Home Civil Service. No doubt the Foreign Secretary will wish to comment on how the proposals on merit pay should be applied to them.

Copies of this minute and its attachment go to Cabinet colleagues, including the Minister of Transport, Sir Robert Armstrong and Sir Derek Rayner.

S

SOAMES
28 October 1980

CONFIDENTIAL

THE EFFICIENCY OF CENTRAL GOVERNMENT: PAY AND PERFORMANCE

The introduction of performance-related pay is one of the improvements to the Civil Service system which E Committee has asked me to pursue with the appropriate unions. It was also one of Sir Derek Rayner's recommendations for "lasting reforms" discussed by Cabinet on 1 May. This paper proposes that we should aim to make a start with this in pay for the Under Secretary grade from 1 April 1981 as a precursor of a more extensive use of performance-related pay in the non-industrial Civil Service. The scheme has been seen by Sir Derek Rayner who strongly supports it.

Background

2. At present all grades in the Open Structure - ie Under Secretary and above - are paid on flat rates. The Top Salaries Review Body (TSRB) makes recommendations about the level of those rates. There is no provision for varying the pay which any individual receives within his existing grade. Below the Open Structure the vast majority of Civil Servants are on incremental pay scales which are in practice fully automatic.

3. Following recommendations by TSRB that the introduction of performance-related pay should be considered for Open Structure grades and by the former Expenditure Committee for its introduction more generally in the Civil Service the last Administration commissioned two studies:

(i) from the Office of Manpower Economics (OME), to investigate

the pay systems for senior management outside the Civil Service;

(ii) from the Civil Service Pay Research Unit (PRU), to determine the extent and success of performance-related pay systems in outside organisations below the most senior levels.

The Open Structure

4. There are good reasons why senior Civil Servants should be subject to variations in their pay according to the quality of their work. It is only fair that those who do better work should be paid more; and higher pay for better work may induce better work. Merit pay is very common among outside employers who clearly believe that pay incentives work: OME found that 93% of the private sector firms which they surveyed operated performance-related salary systems for their senior managers. Moreover we can make a start in the Open Structure very quickly. We do not negotiate pay for these grades (although it would of course be proper to consult the appropriate unions about changes). The comparatively small numbers should make it feasible to introduce merit pay from the next pay settlement date, 1 April 1981, provided that we take the necessary decisions without delay.

5. Nevertheless there are also good arguments on the other side. There is understandable concern that merit pay might undermine the spirit of mutual cooperation found at the top of the Service. Money is not the prime motivator for these staff. There will be inevitable problems of equity which could overall have "demotivating" effects which could lead to a lower level of effort, rather than an

improvement. Moreover since the increases we shall be able to make in the pay of the grade next year will be small the scope for introducing merit pay will be limited.

6. I accept that ensuring the necessary perceived degree of equity in the system, and its operation, will not be easy. In particular there will be a problem in devising criteria which apply fairly and sensibly to both generalists and to many different professions. But the difficulties should not be insuperable. The arguments based on the nature of the Service, and the problems in current circumstances of getting a range wide enough to be a real incentive are more difficult. But we came to office with a belief in rewarding effort and achievement. I do not believe that the spirit of public service requires people to be paid the same regardless of merit. And I do not believe that we can ignore outside practice on ensuring that good performance is rewarded. We must try to solve the technical problems.

Proposals

7. I therefore recommend that we should press on with work on the details of a scheme covering the Under Secretary grade with the aim of introducing it from April 1981. That grade is by far the largest in the Open Structure, and as at present constituted, represents a key block of both management and policy responsibilities. (The number and pay rates are shown in Annex A). My proposal is of course without prejudice to any future decisions we may take following the present studies on the grading hierarchy. Starting with this grade would enable us to begin the introduction of performance-related pay at the earliest possible date, and would provide an excellent starting point from which to extend the concept. We shall want to consider extension upwards to cover Deputy Secretaries in the light of

experience. In parallel with the work on the scheme I shall be bringing forward proposals, in due course, on succession planning.

8. The scheme I propose to cover the entire Home Civil Service is outlined in Annex B. Equity and legal requirements alike point to covering all Under Secretaries, including specialists. Briefly the present flat rate for Under Secretary pay would be replaced by a salary range. Individuals would be moved to (or kept at) any place on the range, up or down, according to their performance. The Top Salaries Review Body (TSRB) would be asked to recommend an appropriate range for the grade together with a figure to which the average pay for the grade would be held. This would limit the total cost and avoid any tendency for the pay of the grade generally to drift upwards. A detailed scheme on these lines would be prepared in consultation with departments, the TSRB and, to the appropriate extent, the unions. I intend to report the outcome at the turn of the year.

9. Such a scheme would undoubtedly represent a major change in the pay and management philosophy of the Civil Service. It will be important to prepare those involved both as managers and managed. The timetable is now very tight and the detailed planning work must start now if the scheme is to be implemented in April. We shall be taking something of a leap in the dark and we do not want to implement an ill-considered scheme.

Grades Below the Open Structure

10. The arguments for performance-related pay extend well beyond the Open Structure. Indeed they are in some ways stronger at the levels just below it. My officials are engaged on preparatory work for other levels of the Service. But it is not possible to develop and introduce performance-related schemes for the middle and junior grades by next

April. The pay of the Civil Service grades at and below Assistant Secretary is negotiated and there are rights to arbitration for the middle and junior grades. Most of the staff are on incremental scales, and there will be legal problems in withholding or withdrawing increments from those who would have expected to receive them under the present arrangements. We are pressing ahead with resolving the difficulties and with formulating workable proposals. We cannot in any case take final decisions for these grades before we have the PRU report on outside practice due in December. But I will bring forward proposals next year with the aim of extending performance-related pay in the Civil Service from April 1982.

Conclusions

11. I invite colleagues to agree that:

(i) CSD officials, in consultation with departments, the Top Salaries Review Body and the appropriate Civil Service unions, should now press ahead with preparing a scheme on the basis of Annex B for relating pay to performance in the Under Secretary grade with the aim of introducing it from April 1981 should we so decide.

(ii) I should report the outcome of this work in the New Year;

(iii) I should bring forward proposals on the extension of performance-related pay next year.

Civil Service Department

October 1980

Annex A

THE OPEN STRUCTURE GRADES AND THEIR PAY (HOME CIVIL SERVICE)

	Present (1.4.80) Rates	TSRB 14 Recommended Rates for 1.4.80
Permanent Secretary (top 3)	33,500	37,000
Permanent Secretary (23)	31,000	34,000
2nd Permanent Secretary (15)	28,500	31,000
* UIPP (Higher) (4)	26,500	
Deputy Secretary (149)	24,500	27,000
* UIPP (Lower) (33)	22,110	
Under Secretary (567½)	20,500	23,500

* Unified Intermediate Pay Point

PERFORMANCE-RELATED PAY IN THE HIGHER CIVIL SERVICE: OUTLINE SCHEME

(i) Grades to be covered

All members of the Under Secretary grade (and the Unified Intermediate Pay Point (Lower))

(ii) Pay Ranges

The grade will in future have a pay range, instead of a flat rate. The Top Salaries Review Body (TSRB) will be invited in its 1981 Review (and thereafter) to recommend the range. They will also be asked to recommend an average, or 'capitation' rate for financing purposes (see iv below).

(iii) Movement within the range

There will be no fixed points in the range. A member of the grade may be moved to any level within the range, either up or down, subject to certain constraints outlined in (iv) - (vi) below.

(iv) Costs

The scheme will be self-financing. Each department will have freedom to pay its Under Secretaries at appropriate points within the range provided that the total salaries bill for the grade does not exceed the capitation rate x number of staff in the grade in the department.

(v) Distribution

Subject to the financial constraint, Departments will be strongly encouraged to use the full salary range.

The importance of relating movement to performance rather than seniority will be stressed.

(vi) Transitional Arrangements

There would be legal problems in moving staff in the new scheme below the level of their current (1.4.80) salary entitlement. In the first year of operation this will be a constraint on downward movement in the range, especially if the 1981 pay settlement is a low one. However, as the ranges float clear of current salary levels in subsequent years, there will be full scope for distribution throughout the range.

(vii) Who to take decisions

Decisions on pay will normally be taken by the Permanent Secretary as part of the annual assessment of performance of senior staff in the department. Further work will be done, in consultation with departments, on the procedures appropriate for each grade and department, and on any special arrangements which may be needed in the first, transitional year. There will be no appeal machinery. Permanent Secretaries will have to accept the responsibility for telling individuals why a decision to "stay put" or "move down" went as it did.

(viii) Small Departments

Special arrangements will be needed in departments where the number of staff covered by the scheme is very small. Centralised decisions may be necessary.

(ix) Criteria

The Civil Service Department will prepare guidelines on the criteria for judging merit, and will review how they are applied in departments. Criteria will include

effectiveness and economy in the use of resources and other management skills, and qualities of initiative and judgement. But in the last analysis performance will be judged on achievement.

(x) Confidentiality

The range for the grade will be published, but strict confidentiality will be maintained about the salaries of individuals.

(xi) Pensions

Pensions will be based, as now, on whichever of the last three years of reckonable service gives the highest figure.

Civil Service Department
October 1980

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: Civil Service

Your ref:

28 October 1980

Dear Paul

PES

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

Thank you for your letter of 22 September.

As you know, there are problems for me in the sort of precise targetry your approach requires. In particular there are difficulties at this stage with the Regional Offices which account for more than half the relevant staff in this Department, and where the Rayner Study has only just been completed and is now being examined. In addition, while action arising from the MINIS discussions I had in the summer (and even more from the subsequent rounds we will be having) will be bearing fruit in these areas in the later years, I have so far concentrated on firm reductions for the present financial year.

Nonetheless, I have little doubt that as a result of MINIS, the Regional Office Review and the further study of working methods which the Review proposes, together with my proposals for District Audit on which discussions are going forward, my own savings in this field will be very close to your "one third" target. Incidentally, I am sure that the District Audit staff should be included.

Within the total, there are areas where I see very little scope for savings at present eg work on the general oversight of local government expenditure and manpower and RSG, and the quasi-judicial work which we do here on planning appeals. It is the work of oversight control and advice in the "service" areas where I believe most progress can be made. Most Departments have work of this kind and the savings already proposed in the Rayner Study of Regional Offices (230 staff) perhaps indicate what can be done.

I am copying this to the recipients of your letter.

Yours ever

Michael

MICHAEL HESELTINE

The Rt Hon Paul Channon MP

Civil Service Department,
Whitehall,
London, SW1A 2AZ

With the Compliments

of the

Lord President of the Council

CONFIDENTIAL

✓ MAP

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Sir Geoffrey Howe, QC, MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

28 October 1980

Dear Geoffrey,

I have seen the corrigendum to the record of the Cabinet discussion on manpower on 23 October. It does not affect the conclusions. But in case it engenders any doubt, I write to let you know how I see the position.

Cabinet reaffirmed the global figure of 630,000 and endorsed the figures I proposed for each department as firm targets which each departmental Minister should do his utmost to ensure were achieved. Any discussions we may have about these figures will therefore, as the conclusions record, be about how best to achieve them.

I am of course ready to hold such discussions as and when colleagues wish. But I doubt whether there is much point in trying to do so now. None of us, I suspect, can see precisely at this moment how the reductions in his department will have been made in 3½ years' time. The important thing is to get going quickly on developing plans to achieve them and to make sure that we get the maximum reductions in 1981-82. My officials are of course available for any help they can give on both points.

Copies of this letter go to the Prime Minister, the Secretary of State for Defence, the Lord Privy Seal, the Secretary of State for Industry, the Secretary of State for Social Services, the Minister of Transport and Sir Robert Armstrong.

Yours ever

Christopher

SOAMES

CONFIDENTIAL

SR

2 pp

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

27 October 1980

The Lord Soames
Lord President of the Council
Civil Service Department
Whitehall
LONDON

Dear Christopher

You sent me a copy of your letter of 23 September to Geoffrey Howe about the use of computers in the Civil Service.

I certainly agree that we should be making the maximum use of computers to increase the efficiency and reduce the size of the Civil Service.

In my Department the major use of computers is in the issue of driver and vehicle licences at Swansea. The equipment there is due for replacement from 1982 and we are making use of the current replacement exercise to take full advantage of developments in the technology so as to improve the efficiency of the operation and reduce costs.

Elsewhere in the Department, administrative computing is provided as a service which is common to both the Department of Transport and the Department of the Environment. The organisation of this service was reviewed, by a CCTA consultancy team last year and, following that review, a committee of senior managers has been established to determine a strategy for computing in the Departments and to oversee the use of computer resources and set priorities.

This "Computer Resources and Management Group" have decided to employ consultants to assist in the development of the computer strategy. With advice from the CCTA they have approached 5 firms of management consultants and are now evaluating their tenders. The ensuing study, which will be completed by about Easter next year, should provide just the sort of forward looking strategy on which we can plan the Departments' future computer activities.

The Departments' Trade Union Side have welcomed the strategy study and we will keep in touch with them as it develops. Similarly at Swansea there are well established liaison arrangements with the Trade Union Side on the replacement exercise. The CSD Job Satisfaction team are already associated with it.

Yours ever

Norman

NORMAN FOWLER

Prime Minister Civil Service
You have already seen Lord Carrington's note (A). This has not been copied to others. Mr Pym has now circulated colleagues (B) about points made by his Trade Union side.
MAP 22/x

CONFIDENTIAL

Ref. A03323

PRIME MINISTER

Civil Service Manpower: The 630,000 Target

(C(80) 56)

BACKGROUND

At its meeting on 1st May the Cabinet agreed (CC(80) 18th Conclusions, Minute 4) that:-

(i) the Government should aim to reduce Civil Service manpower from 705,000 at April 1980 to 630,000 by April 1984; and

(ii) provision should be made within this for a contingency margin, which might need to be greater than the 10,000 then proposed, to allow for unavoidable staff increases (e.g. to deal with rising unemployment).

You announced (i) on 13th May. (ii) is not public knowledge.

2. In C(80) 56 the Lord President proposes that, since he can already see claims of around 10,000 against the contingency margin, the aim should now be to reduce to 615,000, giving a contingency margin of 15,000 within the public target of 630,000.

3. Departmental Ministers have so far offered the Lord President savings sufficient to get down to 637,000. He therefore wants 22,000 more. He believes this is possible on the assumption that not less than 2 per cent a year overall can be achieved from greater efficiency.

4. The figures and proposals for each Department are set out in Annex A to C(80) 56. The column of new savings required lumps together savings already offered and the 22,000 extra which the Lord President is seeking. The Annex to this brief lists by department, and in round figures, the make-up of the 22,000. You will see that the main additional savings are sought from Defence, from the Chancellor of the Exchequer's Departments , and from DHSS.

CONFIDENTIAL

5. The Chief Secretary's paper proposing 2 per cent further cuts in money all round will take credit for gross savings from this staff exercise offset by the necessary costs of early retirement and redundancies - about £150 million in the next three years. (NB. The gross savings of £1,000 million between 1979 and 1984 and £675 million a year thereafter noted in paragraph 8 of C(80) 56 are to a considerable extent already assumed in the Public Expenditure White Paper.)

6. The Lord President notes that some of the savings discussed will require primary legislation, and suggests that firm places will have to be found for these Bills in the relevant legislative programmes. The measures noted in Annex C for the 1980-81 Session are already included in the programme, but the priorities for subsequent Sessions is a matter for The Queen's Speeches and Future Legislation Committee to consider in the first instance. If Cabinet decide now that space must be provided for a particular item in a given Session, that will inevitably restrict the scope for flexibility in arranging future programmes.

HANDLING

7. After the Lord President has introduced his paper you might ask the Secretary of State for Defence, the Chancellor of the Exchequer and the Secretary of State for Social Services to say, as the major contributors, whether the proposals are acceptable to them. You will probably not want to encourage every other Minister to parade his particular difficulties before Cabinet, but you will wish to ask whether any of them want to dissent from the Lord President's proposals.

8. There should not be any need to discuss at this stage the legislation required, although you will wish to note any difficulties which might be identified.

9. If agreement is reached on the overall target and on the Departmental targets, you might ask the Lord President when he proposes to announce them. This will be necessary at some stage since the Civil Service unions, Select Committees, and others, will be pressing for information on how the global target is to be achieved.

CONCLUSIONS

10. In the light of the discussion you will wish to record conclusions:

(i) that the public target of 630,000 should be maintained;

(ii) that within this total a basic working target of 615,000 should be adopted to allow for a contingency reserve of 15,000;

(iii) that the Departmental targets proposed in Annex A for April 1984 should be adopted, and

(iv) noting the need for legislation as set out in Annex C.

11. If agreement is reached on these points you will also wish to record how and when the decision should be announced.

RTA

(Robert Armstrong)

2 No.
efficiency

22nd October, 1980

ANNEX

FURTHER SAVINGS OF 22,000

Defence	10,000
Chancellor of the Exchequer's Departments	4,800
DHSS	3,500
MAFF	800
Employment	600 - 900
Environment)	200
PSA)	700
Transport	500
Foreign Office / ODA	250
Others	100 or less.

MO 2/2/6

LORD PRESIDENT OF THE COUNCIL

CIVIL SERVICE MANPOWER: THE 630,000 TARGET

My Departmental Non Industrial Trade Union Side came to see me yesterday evening to express their extreme concern about the Civil Service run-down. I undertook to convey their views to you, and to the Cabinet.

2. The Trade Union Side were concerned, essentially, to make three different points:

a. They believe that - by contrast to the Government's commitment to an increased defence effort - the extent of the cuts already required of the Ministry of Defence has, in some instances, had a direct impact upon the operational capability of the Armed Forces given that the latter rely so crucially on a large degree of civilian support (the man in the workshop rather than the administrator at Headquarters); they warned - as indeed members of the Defence Council warned me last week - that if the cuts are to be intensified the impairment of the Forces' operational capability will become more severe. Many of the cuts so far have had to come from severe restrictions on recruiting which have been in force almost continuously since August 1979. The effects are haphazard and lead to inefficiency through the mismatch of staff and work.

b. While accepting that MOD must bear a large part of the overall cuts we are seeking to make in the size of the Civil Service they are concerned that, because we have still not managed to reach agreement in Cabinet on the final attribution of targets between Departments there is an arbitrary nature about the cuts I am having to impose within the Ministry of Defence and that they cannot get clear advice about the spread of these even although we are - as they pointed out to me - already in the

second half of the current financial year. They find it hard to believe, in the light of the series of cuts which have been imposed since we came to power, that we have reached the end of the road and they are very concerned that they should, very soon now, know precisely where they are, particularly as they are already being asked to agree that several hundred MOD staff should leave the Civil Service before the normal end of their engagements.

c. They appreciate that 'privatisation' may be a necessary contribution to the exercise upon which we are embarked but they made it clear that they do not support this concept as a means of reducing Civil Service numbers and would be highly resistant to any specific reduction target being accepted for it. In short, the Trade Union Side argued that Government policies were leading to inefficiency and waste and not greater efficiency and economy as the Government were claiming.

3. These arguments will not be unfamiliar to you (and I know there are counter arguments), but they are clearly deeply felt and I was also impressed by the responsible manner in which they were deployed to me last night. I have found my Trade Union Side not unreasonable so far over the reductions exercise, but I think that, on this issue if not on others, we will face an extremely difficult year ahead if, in pursuit of an unduly low target for the ultimate size of the Ministry of Defence we carried out 'privatisation' plans too far. As I have made clear at Cabinet, and in my minute to the Prime Minister of 30th April - and as I made clear to the Trade Union Side - I fully support your efforts to reduce the overall size of the Civil Service, but I do this, as you know, on the basis that we have a clear cut strategy; and that ceilings for the Ministry of Defence, and the overall implementation of the policy, are carried out sensibly and with an eye to the realities of the situation; and that we get clear now, very soon, where we are going. On the last, I am replying separately to your letter of 20th October.

4. The Trade Union Side also argued that unless the Government as a whole improves its handling of our policy on this the adverse affect on staff morale (which is, I fear, already evident) will be carried through to a significant falling off in the calibre of young men and women seeking entry to the Civil Service. This could, of course, have lasting, and extremely serious, consequences.

5. I am sending copies of this minute to the Prime Minister; the other members of the Cabinet; the Minister of Transport; the Chief Whip; and Sir Robert Armstrong.

FH

Ministry of Defence

22nd October 1980

PERSONAL

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

21 October 1980

J Buckley Esq
Private Secretary to the
Lord President of the Council
Old Admiralty Building
Whitehall
London SW1

Dear Jim,

CONTROL OF MANPOWER

Derek Rayner did not receive a copy of the letter from the Secretary of State for Trade of 26 September to Mr Channon on this subject, until we sought one from CSD, having had the report that Lord Soames had mentioned it to Rayner over lunch on 13 October. (But Mr Nott claimed to have copied it MAP)

I thought you might like to know that Rayner has now returned the copy to me with the following annotations.

He has endorsed the sentence, "The inevitable preoccupation of Ministers with policy issues ..... to carry out their tasks":

> "Rubbish. Abdication of responsibility. Tell it to the nation via some well known television programme."

He has endorsed the sentence on the second page, "The Permanent Secretary is in a far better position than I .....":

> "Try sample examination. No drive, no success. The target must have been too easy".

He has endorsed the sentence, "If I did not have this confidence in my Permanent Secretary I would of course look to the Prime Minister ..... to move him somewhere else":

> "When did this happen last?"

Mr Nott is lunching with Sir Derek Rayner on 3 November when they will no doubt have an opportunity to discuss such matters.

I am copying this to Mike Pattison and Geoffrey Green.

Yours ever,

Clive

C PRIESTLEY

2.

1. Mr. Alexander

2. Prime Minister

Lord Carrington offers a comment on the manpower item for Thursday's Cabinet. He will be absent.

His central point is that most Departments can find a significant proportion of their savings amongst junior staff, but much Foreign Office junior work is handled overseas by locally engaged staff, who do not count in the figures used in this exercise. He is therefore offering to increase his staff savings, provided he is allowed to find some of these savings amongst the locally engaged staff overseas.

MT

The same argument will be used by Mr Pym, & perhaps by Mr Heseltine for PSA.

21 October 1980

PM/80/74

PRIME MINISTER

Manpower Cuts

1. As you know, I shall be attending The Queen on her State Visit to Tunisia and will not therefore be at Cabinet on 23 October when we are due to discuss Christopher Soames' paper on manpower cuts. But I have been giving a good deal of thought to the effect our various economy exercises may have on the Diplomatic Service and on British interests overseas. Ian Gilmour will be speaking for me at Cabinet, but I should like to let you have my views in advance.

2. I have told Christopher Soames that I am willing to make a firm offer of 440 UK-based staff as my contribution getting down to the 630,000 target, made up as follows:-

	Cuts Offered
ODA	210
Passport Office	130
Diplomatic Service	100

The cuts in the ODA and the Passport Office represent 10% and 14% respectively. That is in line with the decisions reached in July. My major concern is the Diplomatic Service. I have examined its staffing with great care.

/It

It has been shrinking steadily through the seventies and I am convinced that if we are to make further cuts in UK-based staff beyond what I have offered, we risk serious damage to our operational capability. Given the Soviet threat, the invasion of Afghanistan, the Middle East war and the general instability of the Third World, I do not believe we should run that risk. We are rightly strengthening the Armed Forces. We should at least maintain our diplomatic effort.

3. I fully accept the need for economies and am prepared to make my contribution in manpower and money. But the way the economies are required to be made presents me with particular difficulties. Overseas the support staff in our Missions, who carry out the functions of junior Civil Servants at home, are locally engaged. They are therefore, under the rules, barred from inclusion in the savings. But the bulk of cuts in the Home Civil Service will come from the supporting services, as Christopher Soames has quite rightly pointed out. This is what we are doing too but he argues that we should do more on the grounds that the bulk of FCO/ODA staff are at home. It is true that the ODA are a home department. They, like the Passport Office, are bearing their full share. But the FCO operation at home and abroad is an integral one. Locally engaged manpower represents over 50% of total Diplomatic Service staffing. That operation as a whole will be seriously impaired by further cuts at home. It would surely only be right to recognise the particular circumstances of the Diplomatic

/Service

Service and in their case agree that supporting staff overseas, ie locally engaged as well as UK-based, should be included in the exercise.

4. The problem is partly one of presentation and arises from the very nature of the present exercise, which is appropriate to the Home Civil Service, but takes no account of the staffing patterns of the Diplomatic Service. I cannot think it would be wise to disregard this difference and so to jeopardise our ability to conduct an effective foreign policy in present world conditions.

5. If this can be agreed I would increase my contribution to 700, which I understand Christopher Soames regards as acceptable for the FCO, but the balance between this figure and the 440 UK-based staff I have already offered would be locally-engaged.

6. In addition I have told Christopher Soames that we are looking at the Directorate of Overseas Surveys of the ODA and the India Office Library and Records (IOLR). Examination of both these bodies is in hand. But it will be some time before I know whether we can achieve worthwhile savings in these organisations. As you know, the IOLR presents some tricky problems in terms of our relations with India, Pakistan and Bangladesh.

7. I hope you will feel that my overall proposal is reasonable.

C

(CARRINGTON)

Foreign and Commonwealth Office
21 October 1980

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1

17 October 1980

Thanks
MAP 23/X
Mike
Have you seen
Alan
24/10

Dear Paul.

INDUSTRIAL SPONSORSHIP

Thank you for sending me a copy of your letter of 29 September to Keith Joseph. You wanted in particular to know of any possible reductions in staff engaged in industrial sponsorship, in addition to those listed in the annex to your letter.

Control of nationalised industries accounts for by far the greatest part of the 120 staff my Department listed in the annex to your letter. They are mainly engaged on business with the railways, which will continue to require massive Government subsidy, and to throw up a range of other problems from which I cannot stand aside. They include the staff of the railway inspectorate which has statutory responsibilities for railway safety.

The legislation in the current Session to enable the National Freight Corporation to be privatised, and the Bill planned

for next Session to provide for the privatisation of the British Transport Docks Board and British Rail's non-railway subsidiaries are placing extra demands on these parts of my Department which make it impossible at present to reduce their strength. Once disposals have taken place, the timing of which I cannot accurately forecast now, some small reductions in staff in this area will be possible. I shall want all that I can find as contributions towards the total reduction in the numbers of my civil servants - some 23% by 1983 - to which I am committed. As I cannot at present say what reductions will be feasible, or when, I think it is right that no precise figures for further reductions should be given in the annex to your letter. But we could add in your "Further Reductions Scheduled" column "Up to 5 by 1.4.83".

Copies of this letter go to the recipients of yours.

Yours ever

Norman

NORMAN FOWLER

2F

MANAGEMENT IN CONFIDENCE

✓ MD, Civil Service

01 211 6402

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1a 2AZ

17 October 1980

Dear Paul

Thank you for sending me a copy of your letter of 8 September to Willie Whitelaw about the practice in Departments for controlling manpower, etc.

The obvious advantages of Cabinet Ministers pooling experiences should not lead to a rigid process of harmonsiation nor become a trigger for prolonged debate. It is self-evident that the management style and techniques of a Minister in charge of a Department need to reflect not only the size and functions of the Department, but also the background, skills and personalities of the Ministerial team and the Permanent Secretary. Even within any general management style that a Government wished to adopt, there should be flexibility to accommodate these differences.

The Department of Energy is sufficiently small and geographically concentrated for me to maintain tight and systematic control of our activities and performance without resort to over-frequent reporting or over-elaborate management systems more suitable for a giant department. Nevertheless, I do have a monthly report on the manpower situation and I do require a regular and systematic question of programmes and objectives to ensure that we are clear in our purposes and to check that we are pursuing them in the most efficient way. I also find it valuable to have an annual review which covers, in a form appropriate to D/Energy, the sort of points in paragraph 5 of the note on DOE practice circulated with your letter of 8 September.

I am copying this letter to the Prime Minister, other Ministers in charge of Departments and Sir Derek Rayner.

Yours ever

Dave

D A R HOWELL

✓MAP

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London
SW1A 2AZ

16 October 1980

INDUSTRIAL SPONSORSHIP

Thank you for sending me a copy of your letter of 29 September to Keith Joseph.

I should just like to comment on the entry for my Department in respect of staff engaged in the administration of schemes of financial assistance (B1). There were 7 full-time staff on 1 April 79 and 5 on 1 April 80 and some others who help for part of their time. Numbers will be run down in the next couple of years and the full-time staff will all have gone by 1 April 1984. A saving of 6 staff was included in last year's options exercise.

I am copying this letter to the Prime Minister, to Geoffrey Howe, Keith Joseph, Michael Heseltine, George Younger, Nicholas Edwards, Patrick Jenkin, John Nott, David Howell, Norman Fowler, Sir Robert Armstrong and Sir Derek Rayner.

PETER WALKER

SECRET

2

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

CIVIL SERVICE MANPOWER: GCHQ

I have shown the Prime Minister your minute A03229 of 14 October 1980 about the treatment of GCHQ for the purposes of the Civil Service manpower exercise, and she has no objection to your negotiating with the Departments concerned an arrangement on the lines set out in paragraph 9 of your minute.

TAW.

16 October 1980

KAD

SECRET

✓ MAP Civil Service

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
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Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

16 October 1980

Dear Paul

PLS with MAP

You wrote to Willie Whitelaw on 8 September about systems for controlling Civil Service Manpower and administrative practice.

I intend to follow, broadly speaking, a system similar to that which Patrick Jenkin is introducing. That seems to me to strike a good balance between involving myself in detailed but important issues of priority over staff resources and devoting the necessary time to dealing with the political aspects of the very wide range of subjects that George Younger and I, as Ministers in charge of territorial Departments, have to cover.

In addition I am now visiting Under-Secretary commands to discuss with them, their Divisional Heads and the Principal Establishment Officer their areas of activity, the scope for reduction of functions and the prospects of streamlining work procedures in order to achieve the target figures I have proposed to you.

/ I am sending copies of this letter to the recipients of yours.

Yours ever

Nick

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

CONFIDENTIAL cc Sir Derek Rayner HS

10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY
LORD PRESIDENT'S OFFICE

When the Lord President and Sir Derek Rayner saw the Prime Minister today, Sir Derek spoke about the position of his own office, given the likelihood that he would either reduce his own involvement or be replaced in the foreseeable future. He saw a need to have two Assistant Secretary posts in the office in order to follow up the work which had already been put in hand.

The Prime Minister confirmed that she wished to see Sir Derek's office staffed at whatever level he considered necessary to follow through its work.

I am sending a copy of this minute to Mr. Priestley in Sir Derek Rayner's Office.

M. A. PATTISON

KRB

15 October 1980

CONFIDENTIAL

cc LPO

HS

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

When Sir Derek Rayner and the Lord President saw the Prime Minister this morning, Sir Derek reported progress on Rayner scrutinies across Departments as a whole. Important savings from increased efficiency were being identified in a number of Departments, but in some quarters the work was not receiving the necessary support at the highest levels. The Prime Minister asked Sir Derek to provide her with more details of the areas in which he felt a need for greater political support. He undertook to send her a personal note on this.

Sir Derek also spoke of the current DHSS/Department of Employment scrutiny, in which the Prime Minister expressed considerable interest. We have since spoken about this, and I will consult the Prime Minister further, to see if she would like to see the presentation on this work.

Sir Derek said that he had it in mind to disengage from those Departments where he felt there was a lack of co-operation. The Prime Minister accepted his reasoning.

Sir Derek commented that the officials working on his projects in some Departments were becoming dispirited by the lack of support from the top. There was a great deal of talent available in Departments, but some of it was being suppressed. The Prime Minister said that she wanted to see the names of the officials who had been doing important work under Sir Derek's aegis. It was important to ensure that their talent was recognised, and that they were noted for future rapid promotion. She would also like to give another party in Downing Street for those involved, possibly with wives. We will be in touch about this.

I am sending a copy of this minute to Mr. Buckley in the Lord President's Office.

M. A. PATTISON

KRB

15 October 1980

CONFIDENTIAL

cc CO
Sir DR

HB

10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY
LORD PRESIDENT'S OFFICE

The Lord President and Sir Derek Rayner had a word with the Prime Minister this morning about manpower issues.

The Lord President explained the thinking behind his draft manpower paper for Cabinet. He added that he was now convinced of the need to increase the contingency margin by 5,000 posts. The Prime Minister accepted the rationale for increasing the contingency margin, and confirmed that she would be content for the Lord President to circulate the paper as drafted. She would herself lend her support to his efforts to get colleagues to accept the additional cuts he now proposed.

Sir Derek Rayner drew attention to the scale of potential savings from increased efficiency. Scrutinies now in progress were throwing up much increased evidence. He felt that the Lord President's 2% target for further efficiency savings was modest. The Prime Minister noted the Lord President's comments that some Departments had offered no further savings from efficiency.

At the end of the discussion, the Lord President referred to the current position in the House of Lords. In his view, it was now necessary to allow the extra week to complete all three bills. This meant that the State Opening would need to be postponed to 20 November. He understood that The Queen could accommodate this change. The Prime Minister agreed that Cabinet should reach a decision on this matter tomorrow.

I am sending copies of this minute to Mr. Wright in the Cabinet Office and Mr. Priestley in Sir Derek Rayner's Office.

M. A. PATTISON

KRB

15 October 1980

CONFIDENTIAL

JJ

✓MAP.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17414/80

Your ref:

14 October 1980

Dear Paul

Mike

INDUSTRIAL SPONSORSHIP

TR 14/10

Thank you for sending me a copy of your letter of 29 September to Keith Joseph. I am content with the figures in your table.

I share your doubt about abolishing "sponsorship" altogether. It seems to me that there is a job that only the so-called "industry sponsor" can do in advising on the comprehensive impact of Government policies on particular industries, particularly important ones like construction, and on what is needed to enable the industry to respond to our policies and intentions. People concerned with a function (planning or employment policies or whatever) tend to have neither the time nor the experience to do this. Having said that we have to ensure that staff in these areas are doing what we want done and not acting as a post box or participating in excessive monitoring or inter-departmental consultation and that their numbers are the absolute minimum consistent with this.

I am copying this letter to Keith Joseph and the recipients of yours.

Yours ever

Michael

MICHAEL HESELTINE

The Rt Hon Paul Channon MP

Ref. A03229

MR. WHITMORE

Civil Service Manpower: GCHQ

We have a problem about the treatment of GCHQ for the purposes of the Civil Service manpower exercise.

2. Paragraph deleted and retained under Section 3(4).

C A Wayland
17 June 2010

3. For financial and manpower control purposes, GCHQ is part of the intelligence and security world, and is under the control of the Committee of Permanent Secretaries on the Intelligence Services (PSIS) which reports to the Prime Minister.

4. Departments, including the Ministry of Defence and the FCO, are being required to reduce staff by 8 to 10 per cent by 1st April 1984, in pursuit of the aim of reducing Civil Service numbers to 630,000 by that date. PSIS has asked the agencies (including GCHQ) to let it know what manpower savings they can offer by way of increased efficiency towards these targets; but they are not being called upon to cut out functions, and after the reductions they have made in the last six years it is not realistic to expect them to make reductions of the size being required of other Departments.

5. The problem is that, if the GCHQ components of the Ministry of Defence and the FCO are wholly or partly exempted from cuts, but each of the two Departments as a whole is expected to reach the required standard, each Department has to make larger cuts on the non-GCHQ parts of their staff. Both Departments find great difficulty about this: indeed Sir Frank Cooper says that he cannot any longer make compensating reductions in the rest of the Ministry of Defence to safeguard GCHQ numbers.

6. We are considering whether there is any scope for changing the status of GCHQ, so as to deal with this problem by taking GCHQ staff out of the Ministry of Defence and the FCO, without putting at risk the disclosure of information about the size of GCHQ which the present arrangements are designed to protect. But that review will not be completed in time to deal with the problem that will arise in presenting figures for the Cabinet's discussion of Civil Service manpower next week.

7. If GCHQ numbers were to be shown separately from those for the rest of the Ministry of Defence and the FCO in the figures that go to Cabinet, that would mean disclosing the total staff numbers of GCHQ to the whole of the Cabinet and to all those who see Cabinet papers. Apart from the security risk, this would draw the attention of other Ministers to GCHQ as a candidate for cutting. The Ministry of Defence would prefer that course; I cannot recommend it.

8. At the other extreme we could exclude GCHQ staff from the manpower exercise, or try to lose GCHQ staff figures, either in Ministry of Defence and FCO totals or elsewhere. Total exclusion - the solution preferred by the Foreign and Commonwealth Office - would mean that the Cabinet was working on different totals from those publicly announced. If GCHQ were included without being separately identified in Ministry of Defence and FCO figures, the performance of those Departments in reducing manpower would (measured in percentage terms) be made to look less good than it really was - a solution unlikely to be acceptable to them, since it would expose them to pressures to make bigger cuts. On the other hand GCHQ numbers are too great to be lost in a miscellaneous residual: they would swamp it.

9. The third course is to include GCHQ staff not separately identified in the totals for the Ministry of Defence and the ~~GCHQ~~ FCO, but to show the cuts for those Departments as a percentage of manpower net of GCHQ staff. It would be necessary to have a footnote to the effect that the percentages were calculated net of GCHQ staff (or conceivably net of certain staff not part of the Ministry of Defence/FCO but included in the published totals for those Departments) who are subject to separate review. This would give a true measure of the performance of the Ministry of Defence, without disclosing actual GCHQ numbers; but it would

permit an interested investigator to make some estimate - not precise but not far off the mark - of total GCHQ numbers. This course would be acceptable to the Director, GCHQ, and seems to me to be likely to present the fewest difficulties.

10. I propose to negotiate an arrangement on the lines of paragraph ~~8~~ 9 with the Departments concerned; but the Prime Minister should be aware of the problem, and of the way in which it will (I hope) be dealt with, in case questions arise when the figures are considered in Cabinet.

RCA

ROBERT ARMSTRONG

14th October, 1980

ps MANAGEMENT IN CONFIDENCE

MAP

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Paul G Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON SW1

14 October 1980

Dear Paul

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

You sent me a copy of your letter of 22 September to Michael Heseltine.

The number of staff is the DE Group concerned with local authorities is extremely small - less than 140 out of the central government total of over 5,000. Such involvement as we have is with areas of activity - the careers service for young people and sheltered employment for the severely disabled - which are extremely sensitive at present unemployment levels. These areas are bearing their share of the cuts necessary to achieve the 630,000 target. But frankly I see no prospect whatever of making a one-third reduction. In present circumstances the difficulties which this would cause quite outweigh the very modest contribution it would make towards the overall reductions you are seeking.

Looking in more detail at the areas concerned, the first is the DE branch concerned with the LEA Careers Service for young people. This service has a vital role in combatting youth unemployment, not least through its crucial part in recruitment for the Youth Opportunities Programme; for obvious reasons its workload is on the increase. We have taken specific steps to strengthen the LEA services in areas of high unemployment for these purposes, and further strengthening is likely to be needed. In these circumstances it is not possible to increase the savings of 10% already planned for the Careers Service Branch.

Next, the Manpower Services Commission has staff dealing with the provision of sheltered employment for severely disabled people. Local authorities are not the major providers of sheltered employment and only about a third of the time of those concerned is spent in dealing with local authorities. Subject ultimately to overall

ministerial direction it is for the Commission itself to decide how to allocate among its services its overall contribution to the civil service manpower reductions. The Commission is in fact planning significant savings among staff concerned with sheltered employment policy. In practical terms I could not contemplate instructing the Commission to single out for particularly stringent cuts the staff it has on sheltered employment for the severely disabled.

Much the same applies to the Commission's Careers and Occupational Information Centre, which provides occupational information to a wide range of clients of whom the LEA careers services are only one group. In this case as with sheltered employment, involvement with loca- authorities is no more than a part of the work.

I am sorry I cannot be more helpful. I am copying this to recipients of your letter.

PRIME MINISTER

You agreed to see Lord Soames after E on Wednesday - time (and health) permitting. He wants to hear your reactions to his draft Cabinet paper on Civil Service manpower before he circulates it.

He is bringing Derek Rayner with him, and they would also like to touch on the issue of organisation of the central departments.

MAP

14 October 1980

✓ HAP

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

13 October 1980

Dear Paul,

SLIMMING DOWN STAFF ENGAGED IN LOCAL AUTHORITY AFFAIRS

You wrote to Michael Heseltine on 22 September about reductions of staff engaged in local authority affairs. You enclosed with your letter several Annexes setting out figures for reductions to which we are already committed. I have also seen a copy of John Biffen's letter of 30 September and Keith Joseph's of 6 October.

In my letter of 30 June, I said that I saw no prospect at all of making a reduction of one-third in the staff of the Scottish Office involved in dealing with local authority activities. I pointed out that my predecessor had gone further in this direction than his counterparts in Whitehall which meant that, obviously, there was less scope for further reductions now. I have looked at the position again, given the need to discharge statutory and other essential functions and to maintain the pressure on local authorities to reduce their expenditure and manning levels. Exhortation is not enough.

I have, of course, been considering functions generally as part of my response to your request for further savings in the period to 1 April 1984. I made an offer in my letter of 1 October in the light of what I knew at that stage about proposals for Departments with functions similar to those of the Scottish Office. I do not know the basis of the target of one-third, but I have reservations about simultaneously looking at savings overall and looking at savings in one particular area for which an apparently arbitrary target has been set. Clearly, I shall make what further reductions I can, taking account particularly of firm proposals from Whitehall

departments which have implications for those services for which I am responsible. In the meantime, however, I cannot make any additional offer over and above what is included in the Annex for the Scottish Office attached to your letter.

Copies of this letter go to the recipients of yours.

Yours ever,

George

MAP.

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Old Admiralty Building
Whitehall
London SW1

13 October 1980

Dear Paul,

INDUSTRIAL SPONSORSHIP

You sent me a copy of your letter of 29 September to Keith Joseph about the number of staff engaged in industrial sponsorship work.

The number of staff engaged on this work in DHSS is of course small and we achieved a 24 per cent reduction (to a total of 38 staff) between April 1979 and April 1980. I cannot be sure what further reductions I can make until we have completed consideration of the Rayner scrutiny of our export promotion work. In advance of that, however, my Department has already laid firm plans for cutting out a further three staff, giving an overall reduction of 30 per cent.

I am sending copies of this letter to Keith Joseph and the other recipients of yours.

Yours ever

Patrick

National Savings.

1.

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 mt.

MAP

Confirmed to CSD

MAP
14/x

13 October 1980

Covering

CONFIDENTIAL

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

cc A Duguid

10 October 1980

Tim Lankester Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

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

Covering

CONFIDENTIAL

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

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.

ANNEX A

EXISTING PLANS AND TARGETS PROPOSED

DEPARTMENT	S.I.P. 1.4.79	S.I.P. 1.4.80	S.I.P. 1.4.84 on existing plans	New savings required	Proposed target 1.4.84	Target as percentages of staff in post 1.4.79	(1.4.80)
Defence (incl ROFs)	247,660	239,780	227,000	27,000	200,000	80.3	(83.0)
MAFF	13,956	13,758	13,154	1,604	11,550	82.8	(83.6)
Industry	9,514	9,143	7,949	629	7,320	76.9	(80.1)
Trade	7,308	7,198	6,971)				
OFT	294	307	313)	725	8,425	87.6	(89.3)
ECGD	2,019	1,926	1,866)				
Energy	1,267	1,263	1,160	70	1,090	86.0	(86.3)
Employment	23,300	20,689	25,641)				
MSC	25,332	25,142	22,141)	3,479	49,000	91.3	(96.6)
HSC/E	4,170	4,110	3,968)				
ACAS	850	775	729				
FCO	9,777	9,486	)				
ODA	2,301	2,078	11,786)	696	11,090	90.5	(95.2)
Transport	13,908	13,470	11,265	540	10,725	77.1	(79.6)
Environment	12,358	11,654	10,719	1,399	9,320	75.4	(80.0)
PSA (incl Supplies)	40,095	36,626	33,705	4,405	29,300	73.1	(80.0)
Ordnance Survey	3,586	3,433	2,986	171	2,815	78.5	(82.0)

Note.
Defence percentages exclude GCHQ staff

FCO percentages exclude GCHQ staff

DEPARTMENT	S.I.P. 1.4.79	S.I.P. 1.4.80	S.I.P. 1.4.84 on existing plans	New savings required	Proposed target 1.4.84	Target as percentages of staff in post 1.4.79 (1.4.80)
Home Office	33,490	34,095	36,300	1,400	34,900	104.2 (102.4) [b]
Lord Chancellor's Department	10,211	10,011	10,500	600	9,900	97.0 (98.9)
Land Registry	5,531	5,898	5,700	225	5,475	99.0 (92.8)
Public Trustee	350	321	273	48	225	64.3 (70.1)
Public Record	426	417	406	-	406	95.3 (97.4)
Education and Science	2,647	2,596	2,431	241	2,190	82.7 (84.4)
Arts and Libraries	1,102	1,150	1,130	50	1,080	98.0 (93.9) [a]
DHSS	98,369	96,209	100,672	12,972	87,700	89.2 (91.2) [b]
OPCS	2,560	2,648	2,265	135	2,130	83.2 (80.4)
Chancellor of Exchequer						
Inland Revenue	84,645	78,313				
Customs and Excise	28,771	27,232				
National Savings	10,808	10,407				
Royal Mint	1,375	1,337				
Treasury	1,056	1,044				
Others	250	235				
Total	126,905	118,568	114,494	11,894	102,600	80.8 (86.5)

[a] See appendix to Annex A for separate figures for Office and museums
[b] See appendix to Annex A for percentages excluding staff in prisons and special hospitals

DEPARTMENT	S.I.P. 1.4.79	S.I.P. 1.4.80	S.I.P. 1.4.84 on existing plans	New savings required	Proposed target 1.4.84	Target as percentages of staff in post 1.4.79 (1.4.80)	
Lord President of the Council:							
CSD (incl Parl Cl)	3,350	3,275	2,976	331	2,645	79.0	(80.8)
CISCO	1,736	1,808	1,808	323	1,485	85.5	(82.1)
HMSO	6,689	6,236	5,865	1,865	4,000	59.8	(64.1)
COI	1,182	1,210	1,099	150	949	80.3	(78.4)
Paymaster General	873	924	1,070	46	1,024	117.3	(110.8)
Scottish Office	11,119	10,950	10,393	393	10,000	89.9	(91.3) [b]
Scottish Secretary's Other Departments	1,788	1,814	2,009	97	1,912	106.9	(105.4)
Welsh Office	2,607	2,481	2,318	123	2,195	84.2	(88.5)
Northern Ireland Office	216	220	217	17	200	92.6	(90.9)
Other Depts	3,193	3,261	3,457	128	3,329	104.3	(102.1)
TOTALS	732,039	704,930	686,736	71,756	614,980	84.0	(87.2)

CONFIDENTIAL

Notes on individual departmental targets

Ministry of Defence (including Royal Ordnance Factories)

On existing plans staff numbers in the Ministry of Defence will reduce from 239,780 at 1 4 80 to 227,000, and the Secretary of State has offered a further reduction to 210,000 (a saving of 7.2% on staff-in-post at 1 4 80, excluding those in GCHQ). This will be achieved partly through increased efficiency but a substantial proportion of the savings is dependent on privatisation of tasks currently undertaken in-house. (The main candidates are shown in the Appendix to Annex C).

Savings of a further 10,000 (about 4% of current staff-in-post) should be possible through further improvements in efficiency of between 1 and 1½ per cent per annum for each of the three years 1981-4, or by increasing privatisation.

This represents an overall prospective reduction (excluding GCHQ) amounting to 17% of 1 4 80 staff-in-post. Moreover, if a significant proportion of the proposals for privatisation were to come to fruition, and it thus proved possible for MOD to reduce to below 200,000, this would provide a welcome addition to the contingency margin.

Ministry of Agriculture, Fisheries and Food

Savings of 300 staff will come from a reorganisation of the regional structure, partly offset by staffing requirements of new EEC schemes. In addition, efficiency savings across the department as a whole, including ADAS, of 2% per annum will be necessary. The target also assumes the transfer of the 500 staff of the Royal Botanic Gardens, Kew to the British Museum (Natural History) a Trustee body.

Department of Industry

On existing plans staff numbers are due to fall from 9143 on 1 4 80 to 7949 by 1 4 84 (a reduction of 13.1%). The Secretary of State has offered a further saving of 530 posts to be achieved from improved efficiency. An additional saving of 100 by intensifying the search for greater efficiency is proposed. This increases the overall proposed reduction to 19.9% by 1 4 84.

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Department of Trade, Office of Fair Trading, and Export Credits Guarantee Department

The Secretary of State has offered an additional 640 savings from the Department of Trade of which 270 will result from removing personal bankruptcies from the Insolvency Service (with a further reduction of 300 in 1984 - 85), 65 from abolishing the Registry of Business Names, and 45 from ending import surveillance licensing and other activities. The remaining 260 savings will need to be achieved by general efficiency improvements. ECGD will contribute an additional 26 posts. Further cuts in ECGD would be damaging to an area of prime support for British exports. Given that OFT is the Government's only instrument of competition policy and consumer protection, further cuts would be neither feasible nor desirable. Nevertheless, a relatively small contribution of a further 84 posts from general efficiency savings is proposed, which would bring the aggregate staff-in-post for the Secretary of State's departments at 1 4 84 down to 8400 compared with 9331 at 1 4 80 - a reduction of 10%.

Department of Energy

The Secretary of State has offered further savings of 23 posts, to be achieved by the pursuit of improved efficiency over the department as a whole. These new savings represent 1.8% of the 1 4 80 staff-in-post. A further 47 posts (3.7%) might be saved by relocating the Offshore Supplies Office (Glasgow), reductions in the Petroleum Engineering Division, reducing staff numbers in the nationalised industry divisions, and reducing the number of departmental Ministers with consequential savings in supporting staff. This increases the overall proposed reduction by 1 4 84 to 16.5% exclusive of approved growth.

Department of Employment Group

New savings have been offered in Unemployment Benefit Offices, the networks of the Manpower Services Commission, and in the Advisory, Conciliation and Arbitration Service, with a smaller percentage cut for the Health and Safety Executive because of its political sensitivities. The further savings proposed would need to come from the current wide-ranging Rayner study on the payment of benefit to the unemployed, and from economies in such areas as Job Centres. A figure of 6,240 approved growth has been included in the Department of Employment totals which is the staff needed in Unemployment Benefit Offices to cope with currently assumed increases in unemployment. The overall percentage savings between 1 4 80 to 1 4 84 exclusive of this growth is 16%.

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Foreign and Commonwealth Office/Overseas Development Administration

An additional cut of 440 (4.5% of staff-in-post at 1 4 80, excluding those in the Government Communications Headquarters), will be achieved by a 10% cut in ODA staff following reductions in the Aid Programme and from improvements in efficiency; by savings in the Passport Office (assuming reductions in demand by 1984); and by a planned saving of 100 posts in the Diplomatic Service. ~~Many supporting~~ Savings of 300 locally engaged staff (LECs) are also planned, but these do not count as UK civil servants. Savings of a further 260 counted posts to bring the total to 700 could be achieved from one or more of a number of studies which the Foreign Secretary has in hand; eg entry certificate work, security staffing, and the India Office Library and Records, from further aid reductions, and from a review of the activities of ODA's specialist units.

Some increase in staff numbers will be required mainly to meet the effects of changes in nationality laws,and the introduction of EEC passports. Exclusive of growth (and of GCHQ staff) the target proposed is 11.6% below the 1 4 80 level.

Department of Transport

Under existing plans the Department is committed to reducing its 1 4 79 staff-in-post figure by 19.0%. The scope for new savings is accordingly limited and only a further 4%, based on improved efficiency andproductivity, is judged to be feasible. The disbanding of the Road Construction Units will result in the transfer of the work of some 1,600 staff to private consultants. This removal will not result in any reductions in Civil Service numbers because the staff were previously counted as local government employees. Nevertheless there will have been a significant reduction in the total number of people employed in the public sector.

Department of the Environment.

New savings amounting to 10% of 1 4 80 staff-in-post have been offered. These will comprise a package of improvements in efficiency, reductions in functions and changes in status (eg privatisation). The target assumes that it will be possible to increase these savings to 12%.

Property Services Agency

New savings of 10% of 1 4 80 staff-in-post have been offered, to come from further privatisation of building maintenance work, and, subject to cost comparisons proving

satisfactory, building design work. The target assumes that it will be possible to increase these to 12%.

Ordnance Survey

The future status of the OS is under review. The target assumes that OS will make new savings of 5% of 1 4 80 staff-in-post from improvements in efficiency and selective implementation of recommendations in the Serpell Report. Transfer outside the Civil Service would, on the other hand, produce total new savings of almost 3,000 posts.

Home Office

Existing plans allow for an increase in police support, immigration and prison service staff of about 2500. Economies in prison manpower will go towards reducing overtime and minimising the staffing requirements of new prisons and improvements in regimes. Savings in the rest of the Home Office will come from streamlining and efficiency, from a transfer, to be negotiated, to local authority control of police recruit training and possibly also from police tele-communications services; and from privatisation of domestic services at the Police, Fire Service and Home Defence Colleges. The proposed percentage reduction from 1 4 80 to 1 4 84, excluding prisons, is 5%; discounting growth already approved on the non-prison side, the reduction is 18%.

The Lord Chancellor's Departments

Notwithstanding the prime function of the Courts in the Government's "law and order" programme, reductions of 600 posts (6%) of 1 4 80 staff-in-post have been offered. Growth of about 350 staff is inescapable in the Crown (criminal) Courts as new court-rooms are opened to deal with the increasing volume of detected crime. Nevertheless, LCD aims to improve efficiency here and even more in the County (civil) Courts to achieve the promised savings. Excluding approved growth, the prospective reduction by 1 4 84 is 9.3% of 1 4 80 staff-in-post.

In the Land Registry it should be possible to find further savings of 240 posts from implementation of various efficiency measures but this is offset by increases (250 man-years) to cope with the continuing effect of the most recent extensions of areas of compulsory registration. Excluding approved growth, the reductions amount to 11.7% of 1 4 80 staff-in-post.

Further savings of 48 posts (15% of 1 4 80 staff-in-post) have been identified in

the Public Trustee Office as a consequence of the installation of a computer. No further savings in the Public Record Office are proposed. The PRO is still under attack from academe and the media for what it offered to the Lord President's review of 1979.

Department of Education and Science

Savings of 95 staff will come from simplification of procedures and controls over education building, reduction in functions relating to building development, student awards and teacher probation and in-service training, and reduction in common service staff. Additional savings of 145 staff in statistics, Architects and Buildings Branch, and from general efficiency measures - including HM Inspectorate of Schools and its supporting staff - will be necessary in order to reach the proposed target.

Office of Arts and Libraries

New savings of 10% of 1 4 80 staff-in-post will be made in the staff of the Office itself. In the case of the two departmental museums (the Victoria and Albert and Science Museums) further savings depend on the outcome of Rayner scrutinies. A provisional target figure has been based on further savings in the museums of 4%.

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Department of Health and Social Security

Some 8,000 of the savings will come from 3 major policy changes; Employers Statutory Sick Pay, Unified Housing Benefit and Simplified Supplementary Benefit. Substantial areas still remain in the Department where Rayner-type scrutinies and other reviews should produce efficiency savings beyond those already offered. The Rayner study into the payment of benefit to the unemployed (see under Department of Employment) may produce savings in DHSS also. The 2,400 staff in the Special Hospitals have been exempted. Growth of some 6,742 has been provided for in PES chiefly to meet the last Treasury forecast of future unemployment. Allowance also needs to be made for the staff for extra supplementary benefit claims arising from the abolition of Earnings Related Supplement. The overall percentage reduction proposed from 1 4 80 to 1 4 84, exclusive of growth, is 17% (17.4% excluding the Special Hospitals).

Office of Population, Censuses and Surveys

The new savings offered are based mainly on reductions in functions. But the timescale for processing the 1981 Census limits the scope for savings; reductions arising out of the initial rundown prior to 1 April 1984 count against existing plans. The target savings of 5% of 1 4 80 staff-in-post is based on the expectation that a reduction in the scope of the survey work should be feasible as a consequence of a current Rayner review.

The Chancellor's Departments

Traditional budget discretion is required in deciding on the allocation of savings between these departments. Some of the savings will come from improvements in efficiency, others will depend on budgetary decisions. Above average savings were made between 1 4 79 and 1 4 80. But further efficiency savings should be possible, particularly in Inland Revenue and the Department of National Savings. It must be assumed that by the end of the target period the Government's policies will have reduced the burden of taxation and the number of people in tax.

Lord President's Departments

Civil Service Department

Savings amounting to 21% over the period will come from a general cutting back of functions, including computer bureau work, reducing the involvement of the Civil Service Commission in recruitment of non-mobile staff and abolishing the regional network; and from increased efficiency.

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Civil Service Catering Organisation

A proposal that canteen staff should count against the numbers in the Departments where they work is being considered; if adopted it will be for each Department to decide whether to save staff in this field. Otherwise, the savings will be found by closing some staff restaurants.

HMSO

Disengagement from production in printing (other than Parliamentary printing), reprographic services and binderies will provide new savings of 10% of 1 4 80 staff-in-post, and additional savings of 20% if E(EA) accept CSD Minister of State's proposals on degree of disengagement.

COI

New savings will come from privatisation of films work, and some distribution and shipping of material for overseas press and radio services, and consequential savings in administration and support staff. Overall new savings amount to 12.4% of 1 4 80 staff-in-post.

Paymaster General's Office

The workload of the PGO is growing. The increased load has been contained as far as possible. The savings already offered will be achieved by the introduction of more efficient working methods such as acceptance of data in a computer readable format. The overall percentage reduction from 1 4 80 to 1 4 84 exclusive of approved growth of 147 posts, provided to cope with increases in the level of demand, amounts to 5%.

Scottish Office

The prisons and the State Hospital have been exempted from cuts. For the rest of the department, the savings proposed amount to 5% of the staff-in-post at 1 4 80. This is based on an assessment of the reductions in functions and efficiency savings required in analogous Whitehall departments, but taking into account the small scale of operation of many parts of the Scottish Office, and the level of cuts previously agreed. The overall reduction from 1 4 80 to 1 4 84, excluding prisons and the State Hospital, is 13% (17.5% from 1 4 79 net of a transfer in of 107 staff from PSA).

Scottish Secretary's Other Departments

Although small savings are proposed in three of the four departments concerned, these are not sufficient to offset growth previously approved in the Scottish Courts

Administration to deal with an increasing workload, and in the Department of the Registers of Scotland in order to implement the Land Registration (Scotland) Act 1979. The net increase in staff from 1 4 80 has however been limited to 98.

Welsh Office

The savings proposed amount to 5% of the staff-in-post at 1 4 80. This is based on an assessment of the reductions in functions and efficiency savings required in analogous Whitehall departments, but taking into account the small scale of operations of the Welsh Office and the level of cuts previously agreed.

Northern Ireland Office

Strict pruning of the UK Civil Service staff will produce new savings of 8% of staff-in-post at 1 4 80. This is considered to be the maximum possible in view of the close connection of the work of the department with problems of law and order.

Other departments

Growth previously approved in some small legal departments because of increasing workloads, and in the Intervention Board for Agricultural Produce as a result of EEC policies, is very slightly greater than the savingsproposed. The net increase in staff from 1 4 80 has however been limited to 68.

ANNEX B

Improving Efficiency

The drive for greater efficiency in Departments is gathering momentum under the leadership of the Ministers concerned. The results so far are encouraging; in particular, the disciplines applied by Sir Derek Rayner to the scrutinies under his direction have produced very good value. The scope for improvement is still clearly very wide.

2. The following points stand out:-

(a) Rayner-type scrutinies of manpower-intensive areas are both producing considerable savings in their own right (for example, 1800 in the Revenue and Customs and Excise in the past year) and providing pointers to further studies. The evidence so far strongly suggests that there is a lot more to find. The current scrutiny of payments to the unemployed may produce several hundreds.

(b) Reviews by the CSD and Departments of existing formulae for translating work-loads into staffing needs, especially where repetitive clerical tasks can be measured, suggest that there is widespread scope for tighter complementing. The Department of Employment expects to save 1000 by this means.

(c) Substantial savings are being attained from service-wide reviews of common functions. Sir Derek Rayner's review of statistics is likely to recommend savings overall of about 20%. The CSD review of messenger service is finding possible savings of 30-50%. Similar studies of supporting services in R and D establishments, typing, training and telecommunications have begun, or are being planned.

(d) It is worthwhile to get managers of large establishments to conduct their own reviews. The Ministry of Defence has launched a major programme of this kind.

(e) There is scope for substantial savings from streamlining networks of regional and local offices. Successful exercises in MAFF, Customs and Excise and Transport are being followed by others in PSA and DOE.

3. While Departments have been understandably reluctant to set targets for such exercises in advance, it should be borne in mind that

(i) there are still 3½ years to go;

(ii) not many plans have yet been made for efficiency programmes after 1 April 1982;

(iii) there are no signs so far of diminishing returns.

All this supports the view that there are still large additional savings to be found from improving efficiency if the pressure is sustained.

FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.

HOUSE OF LORDS,
SW1A 0PW

10th October, 1980

The Right Honourable
Paul Channon, M.P.,
Minister of State,
Civil Service Department,
Whitehall, SW1A 2AZ.

MAP

Dear Paul,

Control of Manpower

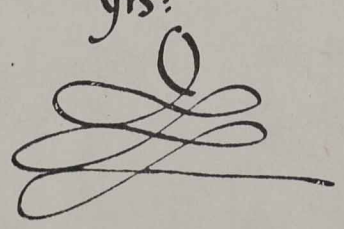
Your letter of 8th September described arrangements introduced by Michael Heseltine and Patrick Jenkin to enable the Minister to be personally involved in the management and staffing of his Department, and invited the views of other colleagues on the role of the Minister as manager of his Department.

For my part I have considerable sympathy with what John Nott says in his letter of 26th September. Speaking as one whose experience of office goes back over quite a large number of years, and spans a number of different Departments, I cannot see that it is a sensible use of his time for a Minister to seek to become personally involved in the detail of the staffing of his Department. Furthermore, I do not regard myself as particularly well qualified to engage in this sort of activity, and I venture to wonder whether other colleagues are better qualified.

In his letter of 6th October Michael Heseltine argues that the use of manpower should flow from the policies which Ministers lay down. This may be true in certain parts of government but it is by no means the case everywhere. For instance, in this Department, the bulk of the staff are employed in order to provide a service to the courts, and I have no control over the amount of work that comes into the courts. There are certainly questions of policy concerned with court procedures and the like which I personally deal with, consulting other colleagues as necessary. But whether the court service is efficiently organised and staffed is in my view a matter which is better left to the Permanent Secretary and his senior management, subject of course to any experts in management (e.g. Rayner) whose suggestions are always welcome.

I am sending a copy of this letter to the recipients of yours.

Yrs:



✓ MAP. Civil Service

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall SW1

10 October 1980

Dear Paul,

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

I am replying to your letter of ~~22~~ 9 September to Michael Heseltine, copied to me. I have noted your suggestion that we should aim for a one third reduction across the board in staff engaged in local authority affairs on those in post on 1 April 1979. My Department has only about five per cent of those employed in Whitehall on local authority affairs and at this stage I can only give you the assurance that we will seek, over the next 3½ years to bring our reductions up to 33 per cent, bearing in mind the general policy objectives in your letter which naturally I fully endorse. We already have 22 per cent in the bag, as your letter recognised, and we will do our best to find a further 11 per cent, or 28 posts. I hope these will emerge from a functions review exercise in HQ, as a result of which I and my colleagues will be considering the workload of each Division (ie Under Secretary command) and professional group deciding, after discussion, their priorities up to 31 March 1984 and what functions should be dropped.

You will not expect me to be more precise at present; I shall have a fuller picture in the New Year.

I am copying this to the recipients of yours.

Yours ever

Patrick

MA

QUEEN ANNE'S GATE LONDON SW1H 9AT

9 October 1980

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS see A5 @ Shep

Thank you for sending me a copy of your letter of 22nd September to Michael Heseltine.

As you acknowledge, the list that has been compiled of staff engaged in local authority affairs gives only a broad indication of the position. In fact, I fear that the figures may be seriously misleading. In my letter of 5th May I pointed out that the numbers of Home Office staff engaged in pure oversight of local services was comparatively small. Nevertheless, in response to requests from your officials, in compiling our list we gave "local authority affairs" a very wide construction to include not only central services (where we have large numbers of staff engaged in operational tasks which are organised nationally for practical reasons) but also Ministerial functions which are national rather than local in character. The result, as was made clear in correspondence, is that the list covers staff engaged in functions of quite different kinds, including many headquarters and outstation staff, who cannot sensibly be regarded as engaged in local authority affairs.

The presentation of the figures in this way may be of some value in giving Ministers a broad indication of scales of activity in particular areas; but I cannot accept that the figures should then be regarded as an appropriate baseline for seeking a one-third reduction across the board. To achieve reductions of this order in the Home Office would require not our disengagement from the supervision of local authority affairs, but the abandonment of important responsibilities and functions which can only be performed centrally and which local authorities would be both unable and unwilling to undertake.

To be specific, of the 500 Home Office staff listed who are not engaged in "law and order" work, 90% are in the Fire Department and of these some 80% are at present employed in the two colleges which provide central training for the fire service. As you know, I have already decided to close the Fire Service Staff College at Dorking and transfer staff training to the Technical College at Moreton in Marsh, with significant savings in manpower and expenditure. The Technical College is an institution with an international reputation which

/provides training

The Rt. Hon. Paul Channon, M.P.

provides training facilities for the whole fire service to a high standard which could not possibly be provided by local authorities, even if they were willing to accept the cost. The remaining staff of the Fire Department include Inspectors dealing with the inspection of Crown premises, others who provide advice on technical fire service matters and staff who give advice to industry and other Government Departments on fire precautions. These are areas of work which could not be surrendered in view of my statutory responsibility and my concern for the efficiency of the fire service. Any move in that direction would be very strongly opposed by the fire service itself. Among other things, I must maintain sufficient resources to pursue effectively the proposals contained in the Government's Green Paper on Future Fire Policy which, if realised, could lead to annual savings of the order of £30m in fire service costs and possibly as much again in the reduction of fire losses.

Against this background there can be no question of my making savings of anything like one-third of the present staff. Nevertheless, within these constraints everything possible is being done. In addition to the closure of the Staff College (which incidentally will cause some redundancy) we are making further cuts in the Fire Department. As regards the remaining 60 "non law and order" staff we are, among other things, studying the possibility of reducing controls over capital expenditure for the police, magistrates' courts and probation service, although there are serious difficulties here and the scope for savings is comparatively limited.

In the law and order field I am grateful for your recognition that we should look to simplifying central government supervision without necessarily seeking reductions of a particular order. This is an area where, as you know, we are actively pursuing the possibility of significant savings in Home Office manpower. Our main studies are directed towards the possibilities of either handing over police training centres to local authorities or "privatising" domestic services at the residential training establishments. We are also considering the possibilities of significant savings in staff currently employed on providing telecommunications services for the police, fire and prison services. Our hope is to achieve savings of up to 600; and indeed our ability to meet our current manpower target will be mainly dependent on the outcome of these studies.

We are also seeking to reduce the level of our involvement in the running of the probation and after-care service. The savings listed in the annex to your letter are those that we expect to achieve if we can get the local authorities to accept our proposals to devolve work on sponsorship of students and the administration of hostels and day training centres. In addition, we should expect savings of a further 10 to 20 posts from the proposed closure of the Home Office training centre at Rainer House in 1983 and the review of functions of the Probation Inspectorate. I am afraid, however, that I see no prospect of further reductions in the minimal number of staff engaged in the administration of magistrates' courts.

I am sending copies of this letter to the recipients of yours.

Civil Service
✓ NJS

Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

From the Minister's Private Office

Private Secretary to the
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

9 October 1980

Dear Geoffrey

Part 5

My Minister received a copy of your Minister of State's letter of 22 September about slimming down staff engaged in local authority affairs.

I can confirm that the only relevant activity in MAFF is the 10 man years or slightly less devoted to pest control advice to local authorities (including training for their own staffs). My Minister will shortly be reviewing this area of activity along with others in the ADAS pests service on the basis of advice from officials, and he has asked me to ensure that your Department is informed of his decisions.

I am copying this letter to the Private Secretaries to the Prime Minister, Secretaries of State for the Home Department, Industry, Employment, Scotland, Wales, Social Services, Trade, Education and Science, Chief Secretary to the Treasury, Minister of Transport and to Clive Priestley in Sir Derek Rayner's office.

Yours sincerely

David Jones

D E JONES
Assistant Private Secretary

Civil Service
✓ MS

01 211 6402

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
LONDON
SW1A 2A2

7 October 1980

Dear Paul

INDUSTRIAL SPONSORSHIP

Part 5.

Thank you for sending me a copy of your letter of 29 September to Keith Joseph on this subject.

There is one cautionary note that needs to be sounded about the staff effort on nationalised industries and the point made at paragraph 7 of your letter. My officials made it clear when submitting the figures for my Department that they had included virtually all staff working with the energy nationalised industries, even though much of the effort of those staff was directed towards the implementation of energy policy rather than industrial sponsorship. It was impossible to classify their activities between the two. Work on pricing by the industries, for example, has both an energy policy and an industrial sponsorship dimension. Whilst our economic policies require that the finances of nationalised industries are carefully scrutinised and controlled - even where they are not financially dependent on the government as in the case of BGC and BNOC, for example - it would be wrong to assume that there is much further scope for reducing staff effort in this area.

I am pleased to see that the reductions planned in my Department are significant (16% overall) and compare favourably with most other Departments.

I am sending a copy of this letter to the recipients of your letter of 29 September.

Yours ever
David

D A R HOWELL

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

✓ MS
Civil Service

From the Secretary of State

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London, SW1A 2AZ

6 October 1980

Dear Paul,

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS — See Part 5

Thank you for sending me a copy of your letter of 22 September to Michael Heseltine.

As you know, in my Department we have achieved a 26% reduction in staff resources engaged in Local Authority matters; we are down from 19 man years to 14 man years. Bearing in mind that in the main we are talking about figures made up of fractions of officials' efforts, rather than 14 staff engaged full-time on such work, further reductions are unlikely. Nonetheless we will continue to seek to reduce our involvement for I am conscious of the importance of having as lean an organisation as is consistent with my responsibilities.

On the question of circulars to Local Authorities, my Department is working with yours on this: except for weights and measures technical guidance notes, my Department issues few such circulars, and the bulk of these are on essential matters such as consumer safety and aviation security.

As regards services provided on behalf of Local Authorities, my Department provides none.

I am copying this letter to the Prime Minister, Michael Heseltine, George Younger, Nicholas Edwards, John Biffen and Sir Derek Rayner.

Yours ever

John.

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

The Rt Hon Paul Channon MP
Minister of State
Civil Service Department
Whitehall
London SW1A 2AZ

6 October 1980

VMS

Dear Paul.

SLIMMING DOWN STAFFS ENGAGED IN LOCAL AUTHORITY AFFAIRS

You copied your letter of 22 September to Michael Heseltine to me.

2 I am, of course, in complete agreement with the objective of this exercise. But as the tables attached to your letter show, the vast majority of staff involved in this area are not in the Department of Industry: the Department of Industry staff effort in this area is de minimis and the figure of 7 man years (a slight reduction from 1979) engaged in this work at 1 April 1980 is made up entirely from small fractions of the efforts of a larger number of staff. The Department neither issues circulars to Local Authorities nor provides any services on their behalf, and I do not consider it likely that we can make any further reductions below this figure of 7 man years.

3 I am sending a copy of this letter to the recipients of yours.

Yours.

Keith.

CONFIDENTIAL

File

MR. PRIESTLEY

CABINET OFFICE

Department of the Prime Minister and the Cabinet,
Australian Federal Government

The Prime Minister has seen and noted your minute to Mike Pattison of 1 October and the attached note of Sir Derek Rayner's meetings with Australian representatives and Mr. Ray Whitney.

N. J. SANDERS

6 October 1980

KRB

CONFIDENTIAL

CONFIDENTIAL

cc Mr Wolfson

Prime Minister

You may like to glance at the attached note of Derek Rayner's conversations on the Australian system.

MAP 3/x

cc for information

Mr Colman
Mr D J Wright

Mr PATTISON

DEPARTMENT OF THE PRIME MINISTER AND THE CABINET, AUSTRALIAN FEDERAL GOVERNMENT

1. I attach a note on the relevant parts of separate conversations between Sir Derek Rayner and the Chairman of the Australian Public Service Board and Mr Ray Whitney, MP, last Thursday.

2. I also attach a cutting on PM&C, taken from the Australian Commonwealth Directory and supplied by the PSB Representative in London.

3. I have to report that Sir DR was not impressed by Mr Whitney's observations on the efficacy of PM&C, which appeared to be based on little more than a reading of the Commonwealth Directory. The impressions he got from the Chairman of the PSB (although these may be a little partipris, and from a former RAF acquaintance who had just retired from the PM&C seem more reliable. Their burden is that although PM&C has some useful functions, it is over-large and causes both duplication of work and resentment among those who are second-guessed.

4. I should say, too, that we had a certain difficulty with Mr Whitney over his appointment with Sir DR. The pressures of the diary indicated a meeting some weeks off. Mr Whitney complained to Miss Holmes here that Sir Derek Rayner could not "reform the Civil Service if he is out of the country for two weeks at a time". This did not go down well with Sir DR. He arranged to see Mr Whitney at once and devoted the first few minutes to the interview (privately) to an attempt to put him straight on how he spends his time.

CP

C PRIESTLEY
1 October 1980

Encs: Note for the File 29 September
Extract from Australian Commonwealth Directory

MAS CAW
7x, ✓ ① NBPM I think – to.
but you might be interested
② ✓ MAP (O/R) to see
MS
7/10

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/16987/80

Your ref:

6 October 1980

Dear Mike

CONTROL OF MANPOWER

I refer to your letter of ~~8~~ 6 September to Willie Whitelaw.

There is little I wish to add to the note you have circulated about the arrangements I have introduced in my Department, except to say that without a system of the kind described, it would not have been possible for me and my Ministers to have reviewed the work of the Department comprehensively, as we did over the summer months, and to be in a position now to maintain a continuing watch on departmental activities and the resources they consume. I am now considering with my officials how best to roll the system forward to the next phase. We have some simplification in mind but its central features are likely to remain.

I take issue with John Nott's view of these matters as expressed in his letter to you of 26 September. I believe it is unrealistic to make the kind of distinction between policy issues and manpower control implicit in what he says. The essence of my approach is that the Minister in charge should review the tasks being performed in his name and decide whether they should continue to be done and, if so, the scale on which they should be done. From the policies flow the tasks and from the tasks flow the use and organisation of manpower and other resources. Of course, reviewing these matters must in practice be done by Ministers and their top officials together and I have received absolutely full co-operation from my officials, from the Permanent Secretary downwards, over my MINIS review. Consequently I find the distinction John Nott draws between his role and that of his Permanent Secretary quite artificial.

I would go further. The absence of the management information weakens the ability of ministers to take decisions about the work of their Departments. But Permanent Secretaries do not have the sort of information that is necessary either. There are no records of what Departments do in detail in a form that allows for proper scrutiny. There will be large areas of a Department of which a Permanent Secretary has no working knowledge and provided those areas go on doing what they did the year before without public controversy they are unlikely to attract official attention.

This is why it is so hard to reverse the upward drift that has

characterised so many public organisations.

I am copying this letter to the Prime Minister, to all Ministers in charge of Departments and to Sir Derek Rayner.

Yours sincerely

p.p.

MICHAEL HESELTINE

Approved by the Secretary of State and signed in his absence

Paul Channon Esq MP
Civil Service Department

2F

CONFIDENTIAL

NOTE FOR THE FILE

PRIME MINISTER'S AND CABINET DEPARTMENT, AUSTRALIAN FEDERAL GOVERNMENT

1. Sir Derek Rayner received Mr R W Cole, Chairman of the Australian Public Service Board, accompanied by Mr K Hollis, the PSB representative in London, on 25 September. Later in the day he also received Mr R Whitney, MP in response to the latter's letter of 28 August on the possibility of a "Prime Minister's Department" in the UK. This notes records the relevant parts of the discussion.

Mr Cole

2. Mr Cole said that PM&C had formerly been like the Cabinet Office here, but over recent decades it had developed increasingly, at the instigation of PMs looking for alternative sources of advice, a political advisory role. Messrs Gorton, Whitlam and Fraser had, in particular, pushed it forward in this way.

3. The Department now consisted of the Cabinet Secretariat and nine divisions, each shadowing a main policy area, eg the Economic Division covering Treasury, Trade and Industry, and the Foreign Affairs Division.

4. As the PM was supposed to be neutral in matters of inter-departmental business, his Department played a large part in chairing inter-departmental committees at official level. Committees, whether chaired by Ministers or officials, played a major role in government and P&C officials had an influential part here because they were close the PM.

5. Mr Cole made two points on which he did not want to be quoted personally:

a. Because Cabinet work was onerous, especially when Parliament was sitting, there was a good deal of work for PM&C to do. This meant that policy work already done by departments in preparation for

Cabinet or committee discussion was re-worked at AS level in P&C. This caused great resentment in departments.

b. PM&C recruited more than its fair share of the best talent available. The intention was that people should move in and out of PM&C, but in fact they tended to stay there. This also produced ripples in the rest of the Service.

Mr Whitney

6. Discussion was not confined to Australian experience but this note is.

7. Sir Derek Rayner said that he understood the PM&C had grown to some 400 staff in nine divisions, manned by a mixture of transfers and direct recruitment, all supposed to be of high calibre. He understood that its function was to provide an independent and informed view of the options and priorities and counter-brief when necessary. But it did not seem to be involved in doing the sort of things directly relevant to his own remit in Whitehall. The Australian "centre" seemed to be even more divided than in Britain, ie two Treasury departments, a Cabinet Secretariat plus PM's staff and the Public Service Board.

8. Mr Whitney said that his advice was that the centre and the collective will were stronger in Australian than in Britain. The Treasury voice was heard at the centre, but not excessively loudly. He would hope that one result would be better briefing for Cabinet. He believed that the British PM should have a staff acting as a policy gadfly.

9. On the efficiency issue, he said that the PSB was a mixture of the British CSD and CS Commission, but that the Chairman worked to the PM through the PM&C. The Australian PM could thus exercise a direct control over manpower and personnel

through a department carrying the collective weight of the Cabinet. Sir DR said that his impression was rather different, namely that there was little day-to-day contact between PM&C and PSB, the Chairman of the latter being in touch with the Permanent Head of the former only when it was necessary to prepare the ground.

10. Mr Whitney suggested that the role of the British Cabinet Secretary was defensive whereas that of his Australian counterpart was more positive. He acknowledged that the way the PM&C worked caused resentment ("hatred" in the case of Foreign Affairs) but said that this could be better than the British situation in which the CSD, for example, did not frighten anyone.

11. Mr Whitney argued against merging the British Treasury and CSD on the grounds that it would clog up Treasury Ministers and that, in any case, the PM and Cabinet now needed a "collective punch". He thought that the behaviour of the Cabinet indicated "narrow vision"; that CPRS was not functioning as it had been intended; and that "an active Prime Minister's Department would create another set of dogs". He also thought that, presentationally, the existence of a PMD would make the projection of government policies much easier than at present.

CP

C PRIESTLEY
29 September 1980

DEPARTMENT OF THE PRIME MINISTER AND CABINET

Establishment

The Department had its origin in 1904 as a Prime Minister's Office in the Department of External Affairs. On 1 July 1911 the Prime Minister's Department was created and continued under this name until the present Department was established by the Governor-General in Council on 12 March 1971.

Role

The Department is responsible for co-ordination of government administration; assistance to Cabinet and its Committees, and to the Prime Minister as Cabinet Chairman; policy advice and administrative support to the Prime Minister; co-ordination of program and review activity; relations and communications with State Governments; Government ceremonial and hospitality.

Functions

1 *Cabinet Division: Cabinet Branch:* secretariat for Cabinet and Cabinet Committees; *Programming Branch:* programming of issues for consideration by Cabinet and Cabinet Committees.

2 *Communications Division: Briefing Branch:* briefing; media and information; arts and cultural activities; historical matters; libraries; sport, recreation and leisure; consumer affairs; *Communications Branch:* industrial relations; transport; communications.

3 *Economic Division: Economic Assessements and Priorities Branch:* domestic and overseas economic conditions; medium term economic strategy; employment and manpower policy; prices; Government outlays; expenditure reviews; priorities; *Economic Policy Branch:* monetary and fiscal policy; balance of payments and exchange rate; foreign investment; financial institutions; wages; housing activity, finance, welfare housing and Defence Service Homes; taxation policy.

4 *International Division: External Relations Branch:* co-ordination of advice on external relations generally, including political, diplomatic and cultural relations with overseas countries and international organisations; international aid; Commonwealth matters; defence policy and planning and defence services; coastal surveillance; *Security Branch:* intelligence liaison; internal security and law enforcement.

5 *Operations Division:* national symbols; honours and awards; *Operations Branch:* departmental operations and efficiency; correspondence and correspondence procedures; liaison with Prime Minister's Office; departmental information services; *Services Branch:* office services; personnel; finance; services to official establishments.

6. *Parliamentary and Government Division: Government and Legal Branch:* Executive Council Secretariat; machinery of government including Administrative Arrangements Orders, Commonwealth public service and statutory authorities; senior appointments; judiciary and constitutional matters including referendums; legal issues involving States, Territories and other countries; legal aid; family law; international law; access to official information; machinery for review of administrative actions; legal and machinery aspects of Royal Commissions and other inquiries; *Parliamentary Branch:* Legislation Committee secretariat; liaison with Parliamentary Departments and officers; parliamentary practices and proceedings including tabling of papers and co-ordination of replies to questions; parliamentary and party committees; electoral matters; ministerial arrangements.

7. *Resources and Development Division: Development Branch:* urban and regional development; natural disasters; general Commonwealth/State financial relations; property negotiations in Australia; tourism in Australia; federalism policy; Advisory Council for Inter-government Relations; Premiers' Conferences; environment protection; water resources and soil conservation; national parks; National Estate; conservation; science and technology; *Resources Branch:* natural resources development; minerals and energy; nuclear policy.

8. *Trade and Industries Division: Industries Branch:* rural and manufacturing industries; small businesses; protection policy; productivity; government purchasing; trade practices and companies' legislation; *Trade Branch:* international trade and finance; bilateral trade relations and agreements; multilateral trade negotiations; international trade organisations; commodity policy.

9. *Welfare Division: Community Services Branch:* education; apprenticeship/trade and employment training; Aboriginals; immigration and population policy; ethnic affairs; refugee settlement; youth; community development; religion; *Welfare Branch:* health and welfare services; veterans' affairs; womens affairs; children's services; health insurance; income maintenance.

Office of Ceremonial and Hospitality: visits by the Sovereign, members of the Royal Family, Heads of State, Heads of Government and Ministers of State; Official hospitality; protocol; official gifts; ceremonial functions of State.

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PART 5 ends:-

CST to Ms CSD 30.9.80

PART 6 begins:-

Priestley to MAP + atts 1.10.80

END