

PRIME MINISTER

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Mr Channon's forecast  
of the most difficult  
areas for Cabinet's  
manpower discussion.  
Sir R Armstrong will  
take this into account  
in briefing MF 25/4

CIVIL SERVICE MANPOWER

You will get the final version of my paper later today.

I understand we are to meet on Tuesday. Before then, I thought you might like to see a note on some of the difficulties that may be raised at Cabinet on 1 May.

I have talked to Patrick Jenkin. He may argue that his Department is "demand-led" and there is little scope for savings without policy changes. I pointed out to him that there are potential savings from policy changes identified in Annex 2 of Christopher Soames' paper last November (C(79)57) of some 9,000 staff - more than enough for 2½% a year. He seemed reasonably happy about this and I think may write to me next week. With luck, I think I can persuade him that the problem is not too bad.

Peter Carrington will face a real problem in relation to our Embassies abroad. But he now has the ODA as well - 2100 strong. If he prefers, the ODA can be cut harder than the Diplomatic Service. He could incidentally abolish the Directorate of Overseas Surveys! I have talked to him. The Diplomatic Service is comparatively small, and I am sure that we can find a solution that will not lead to repercussions everywhere else. I am sure that we ought not to say this at Cabinet as everyone else will complain.

Francis Pym worries me the most. But in a Department as large as MOD, we simply must be able to find savings in this way from staff inspection and other efficiency measures. Derek Rayner certainly believes this to be true. There are also other reviews in train, research and development establishments, supply arrangements for the Armed Forces, and review of the dockyards. Surely these can produce savings which will help. You will remember that last December MOD only had to make a 3% cut because we were told that these reviews were going to come up with large savings. MOD is of course crucial to the whole exercise.

I will talk to Jim Prior and Norman Fowler, who will both face problems, and will report again. Peter Walker may say that the whole exercise is arbitrary and unreasonable. But the recent management review of MAFF has shown there should be savings of about 3% in his Department. I am sure there are other savings to be found.

More generally, any colleagues with a number of Departments, say the Lord Chancellor, can spread the savings across their group of Departments as they like - though in fact we believe that all Departments can make savings. Geoffrey Howe raised this point at our recent meeting.

Some may say the target of  $2\frac{1}{2}\%$  for 3 years is too high. I do not believe - nor incidentally do CSD officials - that the target is too high. There are further savings to come from the studies and policy options we decided to pursue last December. There is scope for savings from proper use of staff inspection and from further efficiency measures. (Annex D to my paper shows what a potentially fruitful field this is.)

Some colleagues may argue that we ought not to set an arbitrary across the board percentage cut, but to look at functions first and accept that there may be wide variations between Departments. I am certain that there is still work that can be cut out. But we simply must have a target. Otherwise we shall have nothing worthwhile to announce and no firm objective. We did a "functions review" last year. It yielded only 4% then. It would waste several months, and probably yield much less now.

I will report further when we meet.

P.C.

PAUL CHANNON  
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