

PREM 19/406

PART 1

32 1/2

Confidential Filing

Annual Scrutiny of departmental running costs (administrative)

CIVIL SERVICE

PART ONE
FEBRUARY 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
14. 7. 81							
Attends							

PREM 19/406

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● PART 1 ends:-

WR to Gnr 14.7.81

PART 2 begins:-

Allen to WR + att 19.8.81

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Blind cc:- C Priestley
J Colman
D Wright
J M Taylor, Sir D Wass^t
PS

R H

And fence

10 DOWNING STREET

From the Private Secretary

14 July, 1981

Scrutiny of Departmental Running Costs

You will have seen my letter to Jim Buckley of 1 June reporting the Prime Minister's response to the Lord President's report on the 1980 Scrutiny of Departmental Running Costs.

In addition to the points set out in that letter, the Prime Minister has said that she would find it very useful to call in a department, and to discuss with the Minister and Permanent Secretary concerned the methods they use to control running costs. The sort of questions she would like to explore at this meeting are:-

- what plans they make for controlling running costs;
- how they compare actual performance with the plan;
- how they find out the reasons for any difference between the plan and actual performance; and
- what happens as a result.

She has suggested that the meeting or presentation might start with an over-view from the Minister and then turn to presentations by officials at key levels in the hierarchy, e.g.:-

- The Permanent Secretary;
- his Establishment Officer;
- the "line" manager of a large or small cost centre, e.g. the head of an R&D establishment or the manager of a local office.

/The Prime Minister

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CB

CONFIDENTIAL

- 2 -

The Prime Minister has asked if your Secretary of State would be willing to give such a presentation with his officials. She is aware of the excellent work which Mr Joubert of your department has been doing on the control of running costs in the context of the 1981 Rayner Scrutiny Programme. I might add that if your Secretary of State is happy to give this presentation, the Prime Minister would be glad if Mr Joubert could take part.

If your Secretary of State is content to give this presentation, I would like to propose 1500 hrs on Wednesday, 16 September as a possible time.

W. F. S. RICKETT

D Edmonds, Esq
Department of the Environment

CONFIDENTIAL



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

From the Private Secretary

Willie Rickett Esq
10 Downing Street

10 July 1981

Dear Willie,

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 1 June with the Prime Minister's response to the Lord President's minute of 11 May on the 1980 scrutiny of departmental running costs. She sought his advice on the possibility of picking out "key ratios" or "performance indicators" from the scrutiny figures.

The Prime Minister has posed a question which is very important and extremely difficult to answer. As far as the 1980 scrutiny is concerned, the Lord President shares the Prime Minister's view that the outcome has been disappointing in this respect. It did not provide a basis for comparing one department's performance with another, and (to answer the immediate question) it is not possible to derive "key ratios" or "performance indicators" from the figures. The 1981 scrutiny now in progress should be useful within departments, particularly in providing a second set of figures for comparison with the first, and its general value will certainly be enhanced by the statements of positive measures to achieve cost reductions which the Prime Minister has asked for. But it will still not provide any objective comparative measure across departments. We should therefore consider what should be done for the future.

Further work is clearly needed. The Lord President thinks that its main thrust should be towards developing cost ratios and indicators which will help Ministers in managing their own departments; it is both easier and more profitable to do this within a department where the outputs are comparable (for example, between one Social Security Office and another or between the performance of the whole social security machinery in one year and in the next) than it is between departments whose tasks and outputs are widely different. The results of such work can also be a great help to the central departments in scrutinising each department's claims for money and manpower. But he would also like to see the question of interdepartmental comparison studied further to see whether and how we can improve on the first two scrutinies in future years in that respect. In particular, there should be scope for developing Service-wide measures and standards for some of the routine administrative activities like typing, messenger services etc.

The Lord President accordingly proposes to commission work from officials:-

- (a) to consider what cost ratios/indicators might be helpful to Ministers in their own internal comparison of performance; and
- (b) to consider what cost ratios/indicators might be developed to facilitate comparisons with other departments.

The results of this work will be reported to the Financial Management Co-ordination Group in the first instance, so that it can be taken account of in the group's proposals for the future development of the running cost scrutinies.

The task will be a continuing one in the sense that the development of these ratios and the management accounting systems to support them will take time. But it is important to keep up the momentum, and the Lord President will call for a progress report by the end of November.

Copies of this letter go to the recipients of yours.

*Yours sincerely,
Jim Buckley.*

J BUCKLEY



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

WN 8/6

The Rt Hon The Lord Soames
CH GCMG GCVO CBE
Lord President of the
Council
Whitehall
London SW1

8 June 1981

Dear Christopher,

1980 ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

*see
civil
service
file*
I have received a copy of your note of 11 May to the Prime Minister, and of the letter of 1 June from her Private Secretary in which he also refers to Sir Derek Rayner's note of 18 May.

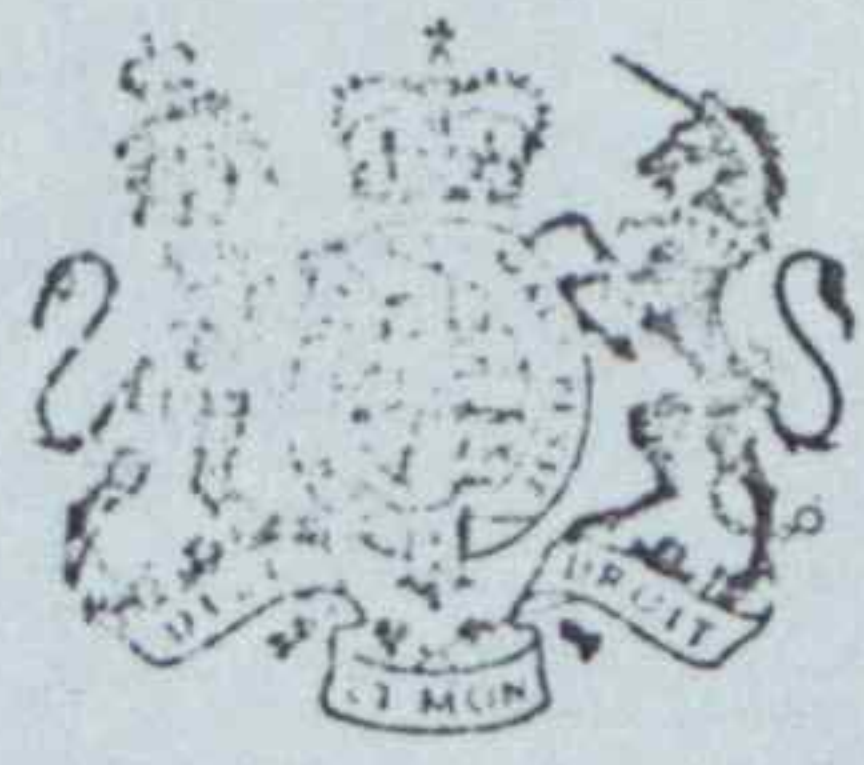
I appreciate the Prime Minister's wish that the figures of running costs reported to Cabinet in January should be published, though as I explained in my letter of 20 January, the figures and comparisons of costs produced by CSD from the results of this first pilot exercise were, at least in respect of the Northern Ireland Office, in fact misleading.

As for the 1981 exercise, our officials have reached agreement on the scope of the figures to be presented to CSD this year and I hope that future comparisons, will, as a result, have rather more meaning. I agree entirely that the main usefulness of this exercise is to individual Ministers in the running of their own Departments, but I continue to doubt whether the bald comparison of one Department's figures with another is of much help in this. I am copying this letter to the recipients of your note to the Prime Minister.

Yours ever

Thompson

Civil Service



CF Lhle

10 DOWNING STREET

cc: Mr Wadson.

*Subject on Govt Mach.
May 29: Review of
Exchequer + Audit
3 June, 1981.*

From the Private Secretary

BF

Dear Jonathan

Internal Audit and Financial Control

Clive Whitmore wrote to Sir Douglas Wass on 1 June about the setting up of a case study of department's systems of internal audit and financial control. Sir Douglas Wass ought to be aware of a link that has developed between this work and the "annual scrutiny of departmental running costs".

Sir Douglas will probably have seen my letter to Jim Buckley of 1 June reporting the Prime Minister's response to the Lord President's latest report on the 1980 scrutiny of departmental running costs (copy attached). In addition to the points set out in this letter, the Prime Minister has said that she would like to call in a couple of departments, and discuss with the Ministers and Permanent Secretaries concerned the results of the 1981 scrutiny. She has also said that she would like the help of management consultants in quizzing these departments on the results of the 1981 scrutiny.

Sir Douglas may like to consider whether this remit can be taken care of in the follow-up work on internal audit and financial control. The terms of reference of the case studies now being set up could be widened to include examination of the annual scrutiny of running costs within the departments concerned. The reports of the consultants would then help the Prime Minister to have constructive discussions with the Ministers and Permanent Secretaries involved on the results of the 1981 scrutiny. These discussions could perhaps be separate from those she will undoubtedly hold on the reports' conclusions on internal audit and financial control.

Perhaps Sir Douglas could comment on this suggestion when he replies to Clive Whitmore's letter of 1 June.

I am sending copies of this letter to John Wiggins and Jeremy Colman.

*Yours ever
William Rickett*

J.M.G. Taylor, Esq.,
HM Treasury.

Rib



VB
 CC: All members of Cabinet
 Chief Whip's Office,
 (Commons & Lords)
 Lord Advocates Office
 Law Officers Dept.
 Cabinet Office
 Sir Derek Rayner's Office

CF to file

10 DOWNING STREET

From the Private Secretary

1 June 1981

1) CF 11.6.81
 2) BF 1.7.81
 3) BF 7.8.81

Car Service

Dear Jim.

1980 Scrutiny of Departmental Running Costs

The Prime Minister was grateful for the Lord President's minute of 11 May reporting the outcome of the analysis of the 1980 scrutiny of Departmental running costs that was commissioned at Cabinet on 29 January. She was also grateful to Sir Derek Rayner for his minute of 18 May, and to the Chancellor of the Exchequer for his minute of 28 May.

The Prime Minister attaches great importance to this scrutiny exercise. She considers it essential when Departmental running costs are rising at a rate of 25% a year. She recognises that the 1980 exercise was very much a pilot run. But she feels that there are a number of ways in which the scrutiny, and the subsequent analysis reported by the Lord President, could have been improved. She would like her comments to be taken into account in the 1981 scrutiny, now under way.

First, the Prime Minister feels that the scrutiny exercise should help to ensure that Ministers do all they can to reduce the running costs of their Departments, and that it should also ensure that Ministers learn from the practices of other Departments. She is therefore concerned to say that she agrees with Sir Derek Rayner that the Lord President's paper gives no real feeling for the effectiveness of Departmental efforts at keeping down costs and achieving specific savings. If Ministers are to learn from their colleagues, it is important to identify and disseminate the "best" practices within Departments. The Prime Minister therefore agrees with Sir Derek Rayner that for this and subsequent years' scrutinies Ministers should be given clear statements of the positive measures taken by their Departments to achieve cost reductions, together with details of the savings achieved. These statements should be reported collectively to Ministers by the Lord President.

She would also be grateful for the Lord President's advice on whether it would be possible to pick out from the figures produced by the scrutiny "key ratios" or "performance indicators" which could help Departmental managers assess their performance, and compare it, with other Departments. Perhaps the Financial Management Coordination group of officials could be asked to look at this in the context of their other work on the scrutiny (see below).

/ The Prime Minister

BA

3 | The Prime Minister recognises that the main value of the running costs exercise is to help Ministers improve practices within their Departments. But she also sees the exercise as enabling Ministers to consider collectively the demands made on Government resources by Departmental running costs. These costs, at £8300 million a year, are a significant demand on public funds, and the annual increases in these costs are also very substantial. The Prime Minister agrees with Sir Derek Rayner that Ministers should consider the possibilities of reducing non-staff administrative costs when they are taking decisions on public expenditure generally. She notes that Mr. Hayhoe has asked Ministers to submit the results of the 1981 scrutiny to him by mid-September; and she hopes that a paper can be circulated to Ministers collectively as soon as possible after that.

The Prime Minister acknowledges that there is a risk that the scrutiny of running costs will duplicate other management information systems. She therefore agrees to the Lord President's proposal that the Financial Management Coordination Group of officials should consider how the Departmental running costs exercise should be integrated with other work on management information systems.

2 | Finally, the Prime Minister feels very strongly that the figures for running costs reported to Cabinet in January should be published. As I have already mentioned to you, she would like these figures to be annexed to the Government's White Paper on efficiency. She has agreed with the Lord President's recent proposal that we should aim to publish this White Paper by the end of June. It can then form the basis for the forthcoming enquiry by the Treasury and Civil Service Select Committee into efficiency in Government.

↓ | I am copying this letter to the Private Secretaries to Ministers in charge of Departments and to the offices of Sir Robert Armstrong and Sir Derek Rayner.

See long term Management
Civil Service D+B
for white Paper

Yours sincerely

William Rickett

Jim Buckley, Esq.,
Lord President's Office.



WR

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

PRIME MINISTER

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I agree with the Lord President's proposals (his note to you of 11 May) following the further work on this exercise. I have also seen Derek Rayner's minute to you of 18 May.

2. In particular I am sure it is right to look at the exercise in relation to other financial and management information systems. The reactions from Ministerial colleagues show that a scrutiny of running costs is valuable, especially within departments where disaggregated information and departmental systems should underpin the information required by the centre. But we must ensure that any central exercise associated with departmental running costs does not become over elaborate and expensive. I agree that the Financial Management Co-ordination Group of officials should examine the question of integrating the running costs exercise with other work on management information systems. Treasury and CSD officials will of course involve other departments with this as necessary.

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

R. Stothier,
for,
(G.H.)

28 May 1981

[Approved by the
Chancellor and
Signed in his absence.]

1. Prime Minister -

- 1. MR. WHITMORE to confirm you in your view that the CSD is failing to get
- 2. PRIME MINISTER to agree with the course of action which the President proposes in paragraph 5 of his minute.

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

MW 22.V.

What these papers need is sufficient concern at the tail and very little needs to be left.

The Lord President's paper at 'A' is intended to report on the CSD's investigation of the lessons to be learned from the 1980 scrutiny of departmental running costs. This paper was commissioned by Cabinet on 29 January.

LPC's letter 11/5/81

2. You will remember that in January Cabinet considered the results of the 1980 scrutiny. Apart from demonstrating an alarming 25% increase in Civil Service running costs, the main aims of this exercise were:

The only weapon I have left is July publicity with maximum effect drawn to the facts of the Treasury which Committee can do better than X- examination and the lobby in July looked.

(a) to ensure that Ministers were aware of the importance of monitoring and controlling the costs of running their Departments, and to ensure that they insisted on adequate systems to enable them to perform this task;

(b) to ensure that Ministers collectively were aware of the demands on Government resources made by departmental running costs. The figure of £8.3 billion for 1980/81 is a sum that deserves collective scrutiny;

(c) to ensure that Ministers could be made aware of the efforts of their colleagues to reduce costs, and perhaps more importantly to learn useful lessons from the practices of other Departments.

3. When Cabinet considered the 1980 scrutiny in January they decided (see minutes at 'B'):

(a) that officials should consider how this annual exercise could be refined to improve its usefulness, and to ensure that it was properly co-ordinated with the PESC and estimates exercises. The results of this work will be reported separately by the Lord President, and are only briefly touched on in the attached paper;

Why work team of CSD are confirmed.

Now - which part of management consultants' work is the most important? M.H. McKinsey's 'I'd like to see'

McKinsey's / (b)

(b) that the CSD and Departments should investigate the figures critically, looking particularly at areas where they were high and, where there was no compelling reason, ensure that action was taken to bring costs under greater control;

(c) that only after this investigation should a decision be taken on whether figures should be published.

4. Back in January, you also had in mind:

(a) that you might discuss some of the larger increases in running costs with the Ministers and Permanent Secretaries of the Departments concerned;

(b) Sir Robert Armstrong's suggestion that the CSD investigation might help to sharpen the 1981 exercise by picking out the key ratios and comparisons which really would be significant and of use to departmental managers. In other words, the CSD should develop what might be called "performance indicators" for Departments.

5. The Lord President's paper does not really fulfil the remit the CSD was given. It simply presents Ministers with some 50 pages of tabulated annexes, and largely leaves them to draw their own conclusions. I asked Sir Derek Rayner's office to comment so that Ministers would have something more useful to consider. This he has done, and his paper is at 'C'. Drawing on Sir Derek Rayner's and Sir Robert Armstrong's comments, I suggest -

(a) you should ask the Lord President to do more analysis of the lessons that ^(have been) can be learned for Departments, and to explore whether Sir Robert Armstrong's concept of "key ratios" is feasible. He could ask the Financial Management Co-ordination Group of Officials to produce an early report on this;

What particular savings have they found. One pointless sacrifice each?

DW

Specify what savings which would be a net advantage (eg) & who is spreading the good word. & contribute. / (b)

Agreed
←

(b) you should support Sir Derek Rayner's view that the figures for running costs should be published, contrary to the Lord President's recommendation. The Civil Service should be more accountable for its running costs. Sir Derek Rayner suggests that the Government's White Paper on efficiency might be a suitable vehicle for publishing these figures;

*Agreed . . .
Should like
management
committee
consideration*

(c) that you should look again in the summer at the possibility of calling on a couple of Ministers and their Permanent Secretaries to run through their departmental costs. It might be best to await settlement of the Civil Service dispute before doing this;

Agreed

(d) that meanwhile we should continue to examine the running costs of No. 10, perhaps with a view to reporting to you in the summer;

Agreed

(e) that you should agree the Lord President's recommendation that the Financial Management Co-ordination Group of Officials should consider how the departmental running costs exercise should be integrated with other work on management information systems.

6. The best time for collective consideration of the demands that departmental running costs make on Government resources would seem to be October, at about the same time as the consideration of public expenditure generally.

WPR



1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS: RESULTS OF
FURTHER ANALYSIS

1. On my return from Toronto I have seen the Lord President's minute to you of 11 May, reporting on the results of the inquiries he made after the Cabinet discussion on 29 January. The purpose of this minute is to offer comments which I hope may be helpful to you and your colleagues.

General

2. As the 1980 exercise was very much a pilot run, I am very glad to see (Annex B) that most Ministers find the scrutiny useful. I hope that those few who have expressed doubts will find them allayed by experience.

Technical development and relationship with other management
information

3. The technical refinements that have been made to this year's scrutiny, on which Mr Hayhoe has written to Ministers, will help to increase its usefulness. Even so, I would expect further developments as other improvements occur in financial control and management information. Accordingly I am glad that the Financial Management Co-ordination Group (FMCG) is to take the lead in its development. If the annual scrutiny of running costs is to be of real value to busy Ministers duplication must be avoided. I would see that as an important objective of the FMCG, as well as the dissemination of good practice (see below).

Value of the exercise for Ministers in charge of departments

4. As the Lord President says, and this is a point which appears in some of the Ministerial reactions, the main value of the exercise is for departmental rather than central Ministers. But some Ministers have expressed doubts which deserve a response.



5. The primary purpose of the scrutiny is to provide departmental Ministers with information which enables them to appreciate and then to probe the costs at their hand. Detailed questioning; the selective digging down that ensues; and specific control are always in my experience most effectively done at the point of consumption. This emphasises the importance, not just of the departmental Minister and his most senior officials, but also of the very numerous line managers who, from day to day, consume and regulate the consumption of resources. But it is of course essential that what is served up to a Minister should be appropriate to his position in departmental management. He is entitled to manageable and intelligible digests of information, in which the main trends and issues are clearly identified.

6. I very much agree also with those Ministers who have said that the rather aggregated information provided in the scrutiny pro forma may need, for them, to be supplemented by disaggregated information (eg by function and unit of management). I would generally expect such information to be presented to Ministers in response to, and in support of, their questioning of costs rather than automatically in a first, weighty and possibly daunting batch of data. It follows that such underpinning data must be available if Ministers and senior officials on their behalf are to be able to control costs effectively.

7. In this context (and in support of what the Lord President says about the need to improve management accounting information), I suggest that a good general question for Ministers to ask is:

"Does my departmental management information system enable me and my senior management readily to identify where my costs are rising and (for example) where economies might be made with the least damage to my objectives?"



The Secretary of State for the Environment's current scrutiny (of the methods used to estimate, monitor and control expenditure on running costs and how they might be improved, including the scope for greater delegation of financial responsibility) promises a substantial read-across in this area to other departments. I hope that opportunities for the dissemination of good practice will be seized by the centre (see below).

Collective value of the exercise

8. Whilst the first line of attack on running costs is in departments, there is also value in a collective consideration. The administration of Government is very big business at £8300m a year. I believe that it is important for Ministers collectively to have an opportunity to see these costs (and how and where they arise) alongside other potential claims on resources and to satisfy themselves that the sum of the parts is an acceptable whole. This year the aim is to have this consideration in October, at about the same time as the consideration of public expenditure generally.

9. The follow-up exercise, on which the Lord President now reports, was intended primarily to help individual Ministers, in the light of the total picture, to satisfy themselves as to the reasons for their own rising costs, that there exist adequate systems of control and that action was being taken to keep costs down.

10. Annex A of his report offers a quite encouraging picture of what is happening on the control front. I noted in particular the efforts to control overtime spending, travel costs (including the use of local budgets), energy use, postage, stationery and telephones. There is variation between departments, though this may reflect variation in reporting rather than in practice. I also have no real feel, except in a few cases, for the effectiveness of departmental efforts at keeping costs down and achieving specific savings.



11. I would advise Ministers to take the opportunity offered by Annex A to consider the efforts of other departments to bring specific items of expenditure under control, for example:

the Inland Revenue's 90% use of 2nd class post;

the Treasury's 10% reduction in the volume of mail last year;

the Home Office's 20% cut in printing and publications; and

the Civil Service Department's 25% reduction in telephones etc.

12. For this and subsequent year's scrutinies I would also advise Ministers to call for a commentary by officials on the data at the time it is first presented to them, to cover the sort of ground set out in the recent follow-up questionnaire. In addition to the questioning of the detail to ascertain why costs are moving as they are, I would place particular emphasis on:

the need for a clear statement of the positive measures being taken to effect cost reductions;

the savings achieved as a consequence, for each type of expenditure; and

knowing what had been done to improve the systems of control in the department, to learn from the experiences of others and to what effect.

13. The Lord President mentions the need to reduce the volume of administrative expenditure by using cheaper procedures in areas where prices are rising. Departments are in the best position to identify opportunities for this. But the central departments also have a key role to play through firm budgetary control and the dissemination of 'best practice'.




14. Despite the Government's efforts to control expenditure on administration, it increased by £1657m (25%) last year, £1100m of this going to wages, salaries and pensions and the rest to non-staff administrative costs. The Government is seeking a substantial limit on the increase in wages and salaries costs. But the increase in non-staff costs - upwards of £500m - is also very substantial. It represents a large claim on resources. I would advise Ministers to consider this in this year's scrutiny and the PES round. A good question might be:

"What would happen to the running of my department if I made a 10% cut in non-staff administrative costs over and above that which will occur as a result of the reduction in staff numbers?"

Publication

15. The Lord President recommends that the detailed results of the 1980 exercise should not be published unless specifically asked for. This is a matter for political judgment. May I just say that the Treasury and Civil Service Select Committee will probably want to know the costs of running Government when it comes to consider the question of efficiency in Government and that, on the principle that it is always better to initiate than to respond, there might be something to be said for meeting this in advance? The Government's White Paper on Efficiency might be a suitable vehicle for publishing pie charts and a summary table.

16. I am copying this to Ministers in charge of Departments and Sir Robert Armstrong.


Derek Rayner
18 May 1981



PRIME MINISTER

1980 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

At Cabinet on 29 January I was invited to report again in the light of further analysis of the 1980 scrutiny. At Annex A is a summary of colleagues' responses to the questionnaire I circulated and at Annex B their views on the value of the exercise. Some misgivings were expressed. The cost of the scrutiny itself was not trivial, perhaps between £ $\frac{1}{4}$ and £ $\frac{1}{2}$ million on the basis of a small sample. But in general colleagues found the scrutiny useful in the management of their own Departments.

Officials have examined certain technical aspects of the scrutiny and recommended some changes for the 1981 scrutiny. Derek Rayner and I are happy with these and Barney Hayhoe will be writing to colleagues about the scrutiny.

Departments' activities and expenditure patterns differ a good deal and the value of comparing one with another is limited. Their main usefulness is to individual Ministers in running their own Departments, though selective comparison across departmental boundaries may be instructive and relative changes over time should prove interesting. There will certainly be lessons to be learned from looking at the cost of the same activities in different parts of a department.

The Civil Service is becoming more cost conscious but we still need in particular to reduce the volume of administrative expenditure by using cheaper procedures in areas where prices are rising; and also to improve management accounting information available to Ministers and individual managers charged with controlling costs.

The scrutiny of Departmental Running Costs will keep a watch on this, building on existing information systems where possible. The Financial Management Co-ordination Group of officials should consider how best to do this.

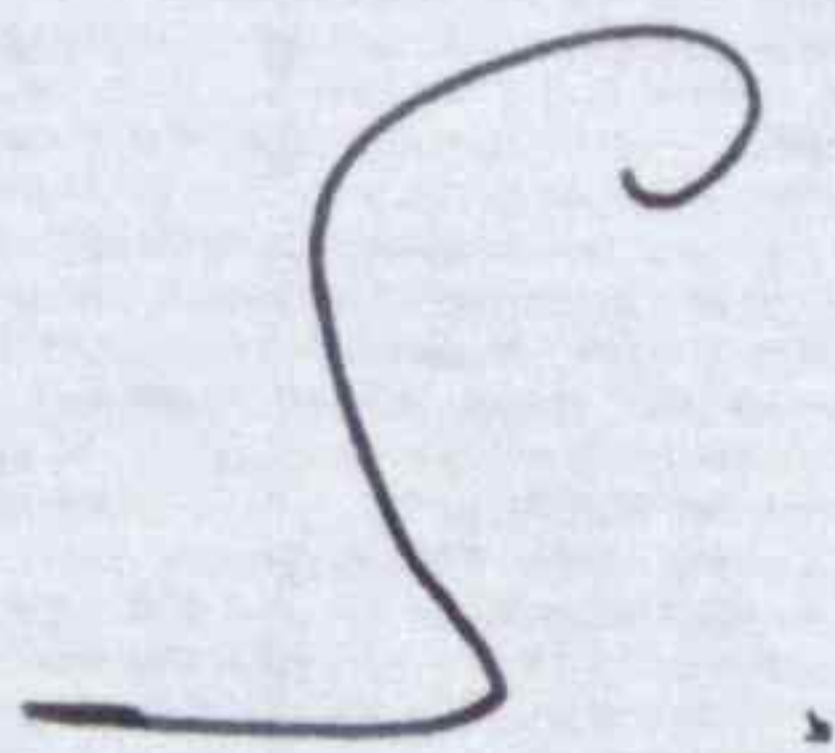
On 29 January we agreed to consider when next I reported the publication of detailed figures. Except for MOD, the figures for all major and some smaller departments were published at the end of 1980 in answer to PQs. There has been no further Parliamentary or public interest. I suggest, therefore, that we should not publish fuller details from the 1980 exercise unless specifically asked.

RESTRICTED

To summarise, subject to colleagues' agreement I propose that:

- a. the Financial Management Co-ordination Group of officials should consider how the Departmental Running Costs exercise should be integrated with other work on management information systems;
- b. detailed results of the 1980 exercise should not be published unless we are specifically asked; and
- c. I should report further after the 1981 exercise.

I am copying this to colleagues in charge of Departments, Sir Robert Armstrong and Sir Derek Rayner.

A handwritten signature, possibly 'S.', is written in the center of the page.

SOAMES
// May 1981

RESTRICTED

SCRUTINY OF DEPARTMENTAL RUNNING COSTS
WAGES AND SALARIES

ANNEX A

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
MINISTRY OF DEFENCE	Pay awards, plus effects of staging.	Relatively low because of fairly large proportion of industrials, but partly offset by employment of locally-engaged staff overseas. Overtime is operationally necessary to maintain a 24 hour 7 day-a-week state of readiness	Exercised centrally through the Sketch Estimates and LTC procedure. Authority for overtime is delegated to local management at various levels; some local budgets used for control.	Severe recruiting restrictions in force since 1979.
FOREIGN AND COMMONWEALTH OFFICE	Low increase due to strength of sterling and its effect on local staff wages overseas.	21% UK based staff are at SEO and above. 24 hour 7 day-a-week service in communications, transport and security involves overtime working; essential and permanent.	Overtime monitored on a monthly basis and controlled by local Administration Officer.	Time off in lieu of payment for overtime granted whenever possible. Roster systems and fixed overtime allowances introduced where appropriate. Staff reductions and post closures.

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
OVERSEAS DEVELOPMENT ADMINISTRATION	Increases due to price factors only.	High ratio of <u>senior</u> to <u>junior</u> staff. <u>Double-banking</u> for dispersal.	Tighter controls on overtime after internal audit review. Control of agency and fee paid staff within given budget.	Reduction in volume of contract staff. Fewer agency secretaries due to reductions in senior staff and easier recruitment of regular secretaries.
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD	Pay rise offset by staff cuts and <u>2 1/2%</u> cash limit squeeze.	High proportion of <u>professional</u> , scientific and technical staff. Regular, unavoidable overtime eg animal husbandry. 5% overtime cut in last 2 years, more reductions sought.	Overtime approved by Chief Regional officers, Laboratory Directors etc.	Review of overtime arrangements in 1981/82.
INDUSTRY	Pay increases offset by permanent staff cuts of 3.5% between 1979/80 and 1980/81.	Grade mix: 70% executive and above, 21% clerical, 7% industrial. Overtime less than 2% of wages bill, mainly in research establishments.	-) Staff reductions to meet manpower targets.) Some contributions from Rayner Reviews of individual areas.
TRADE	Pay increases offset by permanent staff cuts of 2.8% between 1979/80 and 1980/81	Grade mix: 1/3 clerical, 2/3 executive and above. Overtime less than 1.5% of wages bill - mainly coastguards, marine surveyors.	-	-

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
ENERGY	Overprovision in 1980-81 Estimates for number of staff and wages and salaries	High proportion in senior grades - 20% Principal and above, also Petroleum Specialists - reflects policy content of work, professional expertise. Overtime is 1% of wages bill.	Overtime authorised at SEO level and above, claims investigated by Estabs Div. PEO sanction for new posts.	-
EMPLOYMENT	Staff increase of 11% to cope with growing unemployment	High proportion of low-graded staff.	Staff utilisation monitored quarterly against profiles; in UBS staff levels monitored monthly against work levels. All areas except UB0s reviewed every 3 years; regular surveys of need for posts.	Systematic reviews by central senior management group. Use and extension of local budgets. Steering Group looking for economies has found savings of 210 posts.
MANPOWER SERVICES COMMISSION	Staff cuts of 2.8% offsetting pay increases.	Average for Civil Service as a whole.	Annual Corporate Plan. Monthly monitoring against pre-determined profile. Information given to Chairman's Management Committee.	Position examined monthly by Corporate Services Finance staff. Proposals to extend local budgets.
TRANSPORT ENVIRONMENT PROPERTY SERVICES	No returns			

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HOME OFFICE	Effect of staging of 1979 pay award, plus increase of 600 staff mainly in Prison Service.	45% of staff in prison officer grades (overtime, shift payment etc); many staff in specialist grades, no broad base of clerical/junior executive staff. Overtime geared to essential operational requirements in prisons, police support and immigration services.	Prison Service: annual allocation of man hours for each establishment. Overtime reviewed annually by Estab Div; returns monitored quarterly by HQ and also through FIS.	Severe recruitment restrictions to achieve manpower Estimates. Currently negotiating new duty system with POA to eliminate in-built overtime.
LORD CHANCELLOR'S DEPARTMENT	Staged central pay increases in 1979 offset partly by slight decrease in staff numbers. 30% increase in volume of overtime.	Judges and judicial staff numbers not taken into account in calculating cost-per-employee.	Individual budgets allocated to Circuits. Close and detailed monitoring.	Element of cash limit to cover inflation retained at HQ until needed.
EDUCATION AND SCIENCE/OFFICE OF ARTS AND LIBRARIES		Grade structure: 16% of staff are in HM Inspectorate (Principal level and above). OAL: Museums open 6 or 7 days a week; round-the-clock security measures.	Overtime approvals (to meet needs of Ministers and senior officers) kept to a minimum.	-

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HEALTH AND SOCIAL SECURITY	2½% cut in cash limit and manpower to offset 1980 pay rise and effect of 1979 staging.	80% of staff at EO level or below; less than 1% at Principal level and above. Overtime is less than 1% of total man-years used - necessary for security cover, evening visits, arrears of work shortfall in recruitment etc.	Estimated requirements for each area reviewed at least twice a year. Applications for use within specific allocation vetted by local managers.	In 1980 a joint committee set up to review use of casuals and overtime to eliminate the need for overtime as far as practicable.
HM TREASURY	No increase in overtime working in volume terms.	Small policy-orientated department with heavy concentration of middle and senior grades (19% Principal or above).	Monthly monitoring of running costs on a sectorial basis includes overtime; control exercised by line management.	
CUSTOMS & EXCISE	Pay increases offset by decline of 3% in permanent staff numbers. 1% volume increase in overtime to cover work increases may not be needed because of tighter C & E management.	57% of staff are EOs to SEDs, where effects of 1979 and 1980 staging was most marked. Significant overtime at EO and HEO levels - shift and weekend working at ports, bonded warehouses.	Each region given annual allocation of overtime. Central monitoring against estimated quarterly expenditure. Staff inspection of shift rosters, out-of-hours attendance.	25% of overtime bill recouped by charges. 1981 Rayner study of facilitation in the customs field.

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INLAND REVENUE	Increases in pay and NI contributions, plus new and extended pay leads over Administration Group analogues from 1.1.80. Temporary shift in balance within grades due to restrictions in recruitment and promotion.	Grading structure heavily skewed to clerical grades. Overtime required to meet timetable of tax year.	Central allocation of overtime to different parts of department; tight control of overall budget.	Use of overtime and casuals more efficient than employing more staff on permanent basis. In the longer term, computerisation of PAYE.
NATIONAL SAVINGS	-	Broad base of clerical and sub-clerical staff (about 87% of total). Overtime used only to cope with pressure of seasonal work.	Overtime authorised at AS level and reviewed daily.	-
CIVIL SERVICE	Slight increase in staff numbers in <u>?</u> Estimates but volume reduction in cash terms because of 2 1/2% squeeze. Volume reduction in overtime.	High proportion of staff at middle management levels and above - many in CCTA, College, etc. Permanent overtime in Private Offices, College, Government Hospital, computers, security etc.	Review of monitoring procedures with aim of achieving tighter control and reduction of overtime.	-

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HM STATIONERY OFFICE	Over-provision of staff in 1980-81 Estimates - volume reduction in fact.	Incentive bonus schemes - but these should be self-financing by increasing output. High overtime payments in printing works. 50/50 mix industrial/non-industrial.	Monthly monitoring of staff numbers; recent staff inspection of whole of top structure.	Incentive bonus schemes.
SCOTTISH OFFICE	Staged pay settlements offset by reduction in staff except in State Hospital and prisons where these have increased.	High proportion of EOs and above, as well as specialist grades, reflecting policy and professional work. Permanent overtime in prison, marine, fisheries and security areas.	Overtime up to 10 hours per week authorised by line managers, 5 hours by Prison Governors. Successful measures to reduce prison overtime; weekly monitoring by Prisons Division.	Improved staffing position in prisons has led to some reduction in overtime.
WELSH OFFICE	Decline of 5.7% in staff numbers through restrictions on recruitment in lower grades, retirements at professional and senior levels.	Wide range of classes and occupational groups of professional staff. Overtime permanent in Private Offices and Press Office but less than 1% of manpower provision	Overtime authorised at Principal level in Personnel Management Division; constant reviews, monthly monitoring.	

WAGES AND SALARIES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
NORTHERN IRELAND OFFICE	Pay increases accounted for 99% of rise, 7 extra staff for the remaining 1%.	Top heavy grade structure because of emphasis on policy-making role. Necessary and permanent overtime mainly confined to Private Office staff attending Ministers both in London and Belfast.	Overtime authorised at Principal/AS level, verified by Establishment Division.	Recent staff inspection report produced some economies; others to come from wide-ranging review of functions and structure.
PAYMASTER GENERAL'S OFFICE	-	45% of all staff in CO grade; 12% ADP specialists (EO and HEO). Overtime necessary when rules on pension benefits change, transfer to new computer, recovery from industrial action.		

PERSONNEL OVERHEADS (Travel, Subsistence, Training, Removals/Transfers)

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
MINISTRY OF DEFENCE	Largest volume increase is on training (+30%) - artificially inflated by change in vote structure.	Relatively low because of large number of industrials, other non-mobile grades and locally-engaged staff abroad, who do little travelling.	<p>Authority to travel on duty is vested in Heads of Establishments, Directors and Heads of Divisions.</p> <p>Transfers of staff authorised by Personnel Management Divisions.</p> <p>There are no monetary limits of delegation.</p> <p>Allowances and grants are paid on nationally agreed rates.</p> <p>Detailed information of travel expenditure is maintained and controlled by management areas.</p>	<p>Regular directives to staff on the need for economies in travel and subsistence.</p> <p>Introduction in 1981 of a computerised Management Information System.</p> <p>Will identify expenditure by management areas.</p> <p>Rayner Review of Assisted Travel Schemes.</p>

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
FOREIGN AND COMMONWEALTH OFFICE	45% of expenditure affected by exchange rates. Low increase due to strength of sterling. Cost increases caused by higher international fares and hotel charges abroad.	Travel and allowances payable to overseas staff. Salary related allowances governed by the size of pay awards. Expenditure based on entitlements.	Duty travel at overseas posts controlled by local budgets. UK control is central. New system of detailed monitoring of expenditure against Cash Limits and forecasts throughout the year.	Staff reductions and post closures.
OVERSEAS DEVELOPMENT ADMINISTRATION	Higher volume of UK travel and training due to dispersal.	Grade mix. More staff travelling due to dispersal.	Tight control of overseas travel; costs closely monitored. Further procedures for tightening control of UK travel being considered.	Catering economy measures saved 30% of Estimates provision.
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD	Increased prices partly offset by 4.1% volume decrease in travel, subsistence and removals.	70% of overheads in ADAS (dispersed, regional organisation). 90% of UK travel by private cars because of remoteness of areas visited.		

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INDUSTRY	Mainly price increases for travel, subsistence and entertainment; volume increase in removals because of dispersal.		Heads of Division notice emphasising need for economies, and ways of achieving these. UK travel claims from staff up to SP countersigned by senior officer (HEO+) Overseas visits authorised at AS and above.	Introduction of improved information system to enable Division Heads to monitor expenditure; too early to assess effects. Local T&S budgets introduced from 1.4.81. Tight cash limits lead to cut-back in real terms.
TRADE	Overall volume decrease in 1980-81 despite increases to cope with coastguard re-organisation, marine surveys and inspections overseas.	Work requires frequent and widespread travel.		
ENERGY	Overseas journeys dropped by 48% between 1979 - 1980 (when there was 6% drop in staff numbers).	Volume of international business, also Offshore Supplies Office requiring frequent visits, but 1980-81 Estimates overgenerous.	Each Head of Division allocated a budget; offsetting savings required if exceeded. This control has worked well.	Local budgets introduced. Reduction in travel.

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
EMPLOYMENT	Increase proportionate to extra staff numbers to cope with unemployment.	-	All expenditure monitored by Finance Division monthly.	Systematic reviews. Use and extension of local budgets. Total financial savings amounting to £400,000.
MANPOWER SERVICES COMMISSION	Dispersal costs account for volume increase.	Dispersal costs from London to Sheffield.	Monthly monitoring.	Monthly examination by Corporate Services Finance staff. Extension of local budgets.
TRANSPORT ENVIRONMENT PROPERTY SERVICES	No returns			
HOME OFFICE	15% out of 19% increase attributable to price factors; volume increase includes new female prison officers' uniforms.	Large number of outstations and operational needs (eg detached duty by prison and immigration officers, servicing police and fire telecommunications, travel by forensic science staff.	Instructions require that travel must be essential not merely desirable. Control vested in local management. Scrutiny of foreign visits. Some local budgeting. Forward plans for PES, monitoring by FIS.	Examining scope for extending local budgeting to prison establishments.

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
LORD CHANCELLOR'S DEPARTMENT	Increase in travel and subsistence costs attributable to inflation. Overseas travel - an exceptional visit during 1980/81 approved by PM. Increased number of catering establishments and subsidies.		Catering costs currently under review.	Intensified series of investigations by management audit of specialised areas.
EDUCATION AND SCIENCE/OFFICE OF ARTS AND LIBRARIES	Price increases only.	OAL: Development of Science Museum Outstations.	Expenditure monitored monthly at SP level. Scrutiny of foreign travel by Permanent Secretary. Detailed record-keeping to discern trends in expenditure. Possible introduction of local budgeting control. OAL: T & S subject to local budgets.	-
HEALTH AND SOCIAL SECURITY	Steep rise in public transport costs; travel costs of extra anti-fraud staff.	No major change in mix of costs. Much of expenditure related to demand-led social security work.	Budgetary controls introduced to improve monitoring.	-

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HM TREASURY	Increased provision in Estimates for travel and subsistence may not be necessary.	Grade structure.	Need recognised to respond more quickly to changes in pattern of activity and reflect this in drawing up Estimates.	Greater cost-consciousness among staff.
CUSTOMS & EXCISE	Volume increase in removal expenses after low level of 1979-80.	Heavy commitment to travel/subsistence eg VAT visits; 65% of visits by private car.	Each AS/Collector has his own allocation of funds; quarterly monitoring against profile. Claims authorised by supervising officer (HBO+). Control of T & S currently under review.	Recovery from European Communities of costs for attendance of meetings.
INLAND REVENUE	Inflationary increases (fares, petrol) together with greater volume of reimbursing interest on bridging loans (property market stagnant). Additional external ADP training. Decline in number of T & S claims.	Travelling central to day-to-day work, largely in private vehicles. Removal costs when staff transfer between offices.	System of Budgetary Control Officers; separate BSO for travel, subsistence and removals constructs forecasts for PES and Estimates and monitors use.	Pilot study of feasibility of local budgets.

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
NATIONAL SAVINGS	Overall reduction in number of journeys and distance travelled. Reduction in amount of ADP training because of lower staff turnover.	-	Constraints of annual budget estimates; monthly monitoring. Journeys authorised at SEO level and above.	-
CIVIL SERVICE	Volume reduction in staff-related T & S; volume increase in Estimates in T & S for Ministers, CS Commission board members and candidates was not realised.	75% of expenditure on T & S (UK and abroad) is incurred by one-third of staff mainly in CCTA, CISCO and CSPRU where travel is necessary part of the work.	Recent review of expenditure controls; divisional budgets being introduced.	-
HM STATIONERY OFFICE	Training fees show increase of around 100%.	In 1980-81 repayment for training at OS College. Training necessary for new methods and equipment.	-	-
SCOTTISH OFFICE	Increases in mileage and subsistence rates and public transport fares offset by volume reduction of around 9%.	Relatively large number of professional and field staff; remoteness of some areas visited; travel and secondment to London.	T & S provision allocated to Heads of Divisions. Central monitoring by T & S section who report forecast outturn to Permanent Secretary. Journeys abroad authorised at Deputy Secretary level.	Circulars urging economy issued to staff. Budget controllers get monthly print-out of expenditure. Effective control by Deputy Secretaries. Remote meeting tables.

PERSONNEL OVERHEADS

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
WELSH OFFICE	Volume changes attributable to increase in permanent transfers of staff (abnormally low in 1979-80); catering subsidies for new building and external training for industrials.	Travel by train between Cardiff and London; visits by car to schools, hospitals, farms and local authorities	Local budgets introduced in 1979-80 have meant much more effective control. Planning to return to separate public/private transport and subsistence records.	
NORTHERN IRELAND OFFICE	Sizeable volume increase due to over-provision for air travel between London and Belfast.	Frequency of visits dictated by needs of security and political situation in N Ireland - essential and permanent.	Provision for travel to be more closely controlled in future; monthly monitoring. All trips authorised at Principal level; accommodation bills paid by NIO.	More use of scheduled rather than RAF flights produced savings of £170,000 in 1980-81.
PAYMASTER GENERAL'S OFFICE	Volume increase in removal at public expense to other departments (1979-80 unusually low).	No regional offices so T & S claims are small, mostly arising from external training.	Personnel Branch authorise most cost effective mode of travel. Internal control system allocates budget to each item of expenditure.	

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
MINISTRY OF DEFENCE	Increase mainly due to rates.	Amount and location of office accommodation. Reductions in office space often smaller proportionally than reduction in staff - difficult to translate into buildings which can be given up.	PSA proposals for major rationalisation of the office estate in London.	Work on further reduction continues. The dispersal of jobs to Glasgow and continuing staff cuts in London has resulted in the planned release in London of a further 70,000 sq ft of space in 1981.
FOREIGN AND COMMONWEALTH OFFICE	Low increase due to sterling strength and post closures.	High costs arise due to provision and maintenance of residential accommodation and furniture for overseas staff. Also from representational and security requirements for residential and office accommodation.	Town surveys carried out abroad to review the re-allocation of properties.	Reduce space standards introduced April 1981. Properties surrendered when staff levels reduced. Low rent and rate areas considered when new leases due for office accommodation.

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
OVERSEAS DEVELOPMENT ADMINISTRATION	Relocation to East Kilbride.	Dispersal.	Reviews of space, heating and lighting in hand for scientific units.	Close of Middle East development in 1980-81. Move from London to East Kilbride (low rent area).
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD	Drastic cutbacks in expenditure on minor works, maintenance and supplies; costs held constant.	Professional staff qualifying for higher accommodation standards. Large number of specialised buildings (eg laboratories).	Agreed space standards general implemented. Buildings inspected periodically to ensure efficient space usage.	Reductions in staff by 1984. Regional re-organisation releasing accommodation in some areas. PSA rationalising London Estate.
INDUSTRY	Nearly 4% reduction in space occupied.	Centrally agreed space standards and distribution of work between London and the Provinces.	Co-operation with PSA on rationalisation, minor works and saving in heating costs.	Space totalling 60,000 sq ft given up in Central London. Further rationalisation planned, some resulting from dispersal (Trade).
TRADE				
ENERGY	Increase wholly attributable to price factors.	Central London location, majority of staff at HQ. Uneconomic use of Thames House South.	Realistic control not practicable.	Rundown in staff numbers has prevented overcrowding but not reduced costs.

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
EMPLOYMENT	Not available from PSA.	-	-	Special investigations eg furniture, move to Caxton House.
MANPOWER SERVICES COMMISSION	Costs arising from dispersal of total HQ to Sheffield 1979 - 82. Programme to develop modern Job Centre network (non-typical costs). Provision of new Skillcentre training places		Monthly monitoring against pre-determined profile.	Chairman's Management Committee proposal for a review to extend local budgets.
TRANSPORT ENVIRONMENT PROPERTY SERVICES	No returns.			
HOME OFFICE	Considerable volume increase - building programme for police services, and prison building and maintenance.	Distorted by inclusion by capital expenditure. Heating and lighting costs include those for prison inmates, students. Location linked to operational requirements (prisons, airports etc.) Space usage constrained by design of buildings.	Exhortions to staff for economy; guidelines issued on lower heating standards; quarterly monitoring of heating, space usage etc. Improved management information systems on use of space to be introduced.	Rationalisation/centralisation of functions - forensic science laboratories, police training centres, fire-service training (financial and manpower savings). Possible centralisation of stores.

ACCOMMODATION

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>LORD CHANCELLOR'S DEPARTMENT</p>	<p>Incidence of bill payment erratic; no significance in 41% increase. Increase in building costs, greater provision of Crown Courts.</p>	<p>High proportion of specialised buildings (courts) and capital costs for building.</p>	<p>Efforts made with PSA to save space following staff reductions, but scope limited and delays because of lack of capital.</p>	<p>-</p>
<p>EDUCATION AND SCIENCE/ OFFICE OF ARTS AND LIBRARIES</p>	<p>-</p>	<p>Design of building leads to some small excesses in space standards, but these are not generally exceeded.</p>	<p>Accommodation needs being reviewed as staff numbers run down. OAL: opportunities sought to ease existing pressure in museums.</p>	<p>-</p>
<p>HEALTH AND SOCIAL SECURITY</p>	<p>Increases in rents, rates, maintenance, heating and lighting costs. Staff increases in local offices, decrease at HQ.</p>	<p>Possible over-provision from allocating single rooms to grades below AS.</p>	<p>Existing control and economy measures at North Fylde quite efficient. All applications for single room examined. Intensive efforts to make best use of space.</p>	<p>Savings from improved insulation at North Fylde; no further savings possible there. High rent property in London relinquished. Circular issued urging energy conservation, further savings sought.</p>

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HM TREASURY	-	Whitehall location for majority of staff. High security status of building (shared with NIO). Grade structure entitlement of middle and senior staff.	Following 1980 review, effect of some staff reorganisation will be to put pressure on accommodation with some fall below standards set.	Movement of staff, where, possible, to less expensive locations outside Whitehall. Office notices reminding staff of need for economy.
CUSTOMS & EXCISE	No figures for cost savings available.	HQ offices in London, Southend and Bootle, plus other offices at workplace (eg docks, traders' premises). Single-rooming for SEOs+ agreed with PSA (high staff management content of work)	Direct liaison between C&E regions and PSA regions.	Declining staff numbers resulting in space savings; further rationalisation expected in London.
INLAND REVENUE	Not possible to analyse volume changes in area occupied; on the basis of information provided by PSA. Staff savings cannot be matched by immediate reductions in accommodation.	High proportion of accommodation outside London. Offices not purpose-built for IR, design dictates layout and usage; therefore space standards sometimes exceeded.	Day-to-day matters devolved to regional offices dealing direct with PSA regions; central section advises on eg achieving savings in line with staff cuts.	Staff urged to economise on heating and lighting. Rationalisation of office location and space well in hand.

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
NATIONAL SAVINGS	Space given up at HQ and Savings Bank, Glasgow, and reallocation of space elsewhere; standards not being met in some areas.	-		
CIVIL SERVICE	No reductions in space occupied.	Physical constraints of older buildings leads to both under as well as over allocations.		Intention to vacate one building (or major part) by 1984.
HM STATIONERY OFFICE	Large increases in fuel and power costs; increase in rates and maintenance almost offset by less rent. Small decrease in furniture and fittings.	Number and location of installations.		
SCOTTISH OFFICE	Price and volume changes cannot be distinguished.	Grading structure and geographical location of staff, mainly concentrated in Edinburgh.	Control rests with PSA, but full collaboration with department. Space standards generally adhered to.	Continuing rationalisation. Reallocation of estate has led to 9 buildings being given up at savings of £400,000 pa. Heating and lighting reduced in line.

ACCOMMODATION

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
WELSH OFFICE	Occupation of Cathays Park and other buildings, but estate being reduced as staff numbers decline; responsibility for window cleaning taken over from other departments.	-	Monitoring and control of costs Efforts to see that space standards are not generally exceeded.	-
NORTHERN IRELAND OFFICE	4/5ths of cost increase attributable to price rises; 1/5th to increased expenditure on security measures.	Unavoidable requirement for office space in two locations, retention of Stormont House and spare accommodation for staff on detached duty in NI. Construction of old buildings precludes optimum use of floor space.	Staff regularly reminded of need to conserve energy. Rationalisation of space being considered.	-
PAYMASTER GENERAL'S OFFICE	Attribution by PSA; no increase in area occupied but erratic costs shown queried with PSA.	Slight excess of normal space standards in order to house files in workrooms.	Constant review of accommodation; changes made to avoid waste; intention to contain staff growth for 3-4 years.	Closure of small "caller" office in Central London (1980 Rayner scrutiny).

OFFICE SERVICES (Postage, Copying, Office Machines, Telecoms, Computers, Stationery etc)

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>MINISTRY OF DEFENCE</p>	<p>Comparison is not possible because of change in vote structure.</p>	<p>Planned increases in capital expenditure for Administrative Computers not taken place because of the 3 month moratorium on expenditure; therefore, current expenditure slightly down. Staff have been instructed to ensure economies on stationery and postage, resulting in an overall reduction of roughly 21.5%.</p>	<p>Expenditure controls on office machinery, printing and binding exercised centrally through Sketch Estimates and LTC procedures. Programmes for Administrative Computer are subject to normal scrutiny procedures. Outturn monitored via records of commitment and actual expenditure. Monitoring by HQ of delegated authority. Studies on postage identify cost-effective methods of despatch/distribution.</p>	<p>Constant review of collection/delivery points in MOD Van Service and possibility of using military vehicles. Physical audit of telecoms equipment. Rayner study (1981) to examine organisation and utilisation of Defence Telecommunications. Regular exhortations to staff to exercise economies.</p>

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
FOREIGN AND COMMONWEALTH OFFICE	Volume of mail increasing due to passport demand; installation charge for new secure-speech telephone system. Increases in postal and telephone charges, air fares, air freight and bulk cargo rates etc.	High costs of maintaining worldwide communications network and large official transport fleet overseas.	Measures to control bag service costs. Constant review of number of telephones. Instructions issued to reduce copying and stationery supplies which are under review. Centralisation and/or reduction of outstationed copying machines.	Mail normally sent 2nd class, no acknowledgements sent. Replacement telephone systems bought not rented. CBX extensions reduced by 46. Fewer telegrams and telex machines. Efforts to reduce quality of materials. Earlier vehicle replacement to get higher resale value.
OVERSEAS DEVELOPMENT ADMINISTRATION	Decrease in volume of mail but increased PO charges. Provision of equipment for East Kilbride. Change of name from ODM to ODA.	-	Mode of transmission of mail centrally controlled; stationery stocktaking every 3-4 weeks. Cost reductions from use of in-house facilities.	Acknowledgements not usually sent; 1st class mail rarely used; IDS used extensively. Federal lines reduced from 17 to 5. Office circulars on economy; reduced number of journals etc.
MINISTRY OF AGRICULTURE, FISHERIES AND FOOD	No record of volume of postage, 5% reduction in telecommunications volume, 14% reduction in volume of stationery, demand for photocopying constant. Reduction in number of official vehicles.	Scattered nature of regional organisation means wide dispersal of copying machines.	Staff regularly made aware of need for economy. Local budgets used for control. Use of copiers controlled and monitored. Enlarged Official Vehicles Section to improve control, purchase and use of vehicles.	All mail normally sent 2nd class; changeover to public methods to increase cost-consciousness. HQ telephone extensions reduced from 76 to 45. Possible reduction in copiers as result of reorganisation.

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INDUSTRY	No accurate data on price and volume changes for Allied Service items, but known reduction in combined Industry and Trade photocopying of 15%	-	Usual economies in postage (2nd class mail, closer control with change to public postage). Management services study on telecommunications. Rayner-type studies of photocopying, filing. Evaluation of cost-effectiveness of administrative computers.	Reductions in stocks and range of stationery held. Significant economies achieved in library services by restricting publications and closing branch of library.
TRADE	New computer for Petroleum Engineering Division, plus 7 word processors. Volume of mail and stationery static.	1980-81 atypical, due to high level of re-equipment and purchase of new machines.	50% of mail goes 1st class, maximum use of van services Instructions on economy in use of telephones circulated to all staff. Strict stock control of stationery.	Plans in hand to reduce numbers of photocopiers to 16. Old photocopiers replaced by newer models which can be operated more economically. Number of telephones to be reduced by 10%.
ENERGY				

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
EMPLOYMENT	<p>Estimates for telecoms allowed for delayed PO bills. Increased orders due to extension of lead time for delivery of franked envelopes. Hump in replacement cost on computers. Increased cost in travelling expenses on UEB side.</p>		<p>Monthly and quarterly monitoring of financial figures. Main control by budgets allocated to specific areas of expenditure. Regional Benefit Managers receive Monthly statements on most items.</p>	<p>Systematic reviews by central senior management group set up to look for economies; savings in all areas of GAE - £400,000. Use and extension of local budgets.</p>
MANPOWER SERVICES COMMISSION	<p>Significant costs arising from computer and telecoms control and line equipment expenditure and development of skill centre training places.</p>	<p>Figure inflated by expenditure at skill centres to maintain areas for TOPs training.</p>	<p>Annual Corporate Plan. All individual items monitored monthly - various committees given progress reports. Specific budgets applied to travel and subsistence in 1980-81. Delegations operated at or above Prin level.</p>	<p>Saving of at least £1m. on travel and subsistence in 1980-81 due to application of specific budgets - contain national expenditure whilst giving flexibility to introduce new training policies.</p>
TRANSPORT ENVIRONMENT PROPERTY SERVICES	<p>No returns</p>			

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HOME OFFICE	Well below average increase in costs; main increase due to price rises or change to HMSO repayment.	(Office services at prisons and out stations included under non-office expenditure).	More accurate monitoring of postage through public postal methods from 1.4.81. New system of recording stationery stock movements and rate of ordering being introduced. Reviewing procedures for copying and distributing departmental notices. Scrutiny of requests for additional vehicles, load and route planning, work study; official vehicles reduced by 4%.	Economy in postage urged through departmental notices. Standing instructions on use of telephones; surrender of surplus extensions. Photocopying in HQ centralised; some machines replaced by more efficient models; 15% reduction since 1978. Appeals for economy led to 20% cut in printing and publications in 1980-81.
LORD CHANCELLOR'S DEPARTMENT	Increase almost entirely attributable to postage (price change + volume increase in envelopes) and telecommunications (price change, delayed billing and new installations).	Heavy traffic in specialised stationery, postage and telecommunications; inclusion of costs of jurors.	-	Retention of 'inflationary element' of cash limit at HQ producing economies in stationery.

OFFICE SERVICES

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>EDUCATION AND SCIENCE/OFFICE OF ARTS AND LIBRARIES</p>	<p>Sharp reduction in volume of postage; volume of telecommunications static.</p>	<p>-</p>	<p>Outgoing mail monitored with transfer to public posting methods from 1.4.81. Reviews of all telecommunications systems. Local budgets on stationery; emphasis on control of stock; steps to reduce official vehicles.</p>	<p>Tighter stock control system. No acknowledgements, use of IDS, restrictions on 1st class postage. Reviews of telephones reduced Federal and other extensions.</p>
<p>DHSS</p>	<p>Advance purchase of franking machine credits. Considerable reduction in printing and stationery volume. Number of vehicles and mileage reduced.</p>	<p>Amount of postage related to number of claimants; printing, photocopying and stationery demand-led. 600 local offices each requiring wide range of forms.</p>	<p>More control with change to public postal methods in 1981; postal economy under constant review eg switch from 1st to 2nd class post. Modifying system of telecommunications; examining need for new or existing equipment. Economy Review Committee controls stationery and printing; economies during 1980-81 of at least £275,000. Consideration being given to vehicle usage.</p>	<p>Datapost from Newcastle Central Office to points around the country. Regular circulars urging economy in use of telephones; reduction in metered units at HQ and Central Offices. Proposals for improved stock control procedures.</p>

OFFICE SERVICES

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>HM TREASURY</p>	<p>Volume of mail declined by 10%; no volume information on telephone call charges. Reduction of 1 CBX extension since 1979-80.</p>	<p>-</p>	<p>2/3rd of UK mail by IDS, rest 2nd class usually; Chief Office-keeper handles overseas mail. Accommodation Officer checks phone bill for accuracy. Checks on items of stationery; centralised photocopying - monthly monitoring.</p>	<p>Federal extensions reduced from 80 to 38 saving £6000 pa.</p>
<p>CUSTOMS & EXCISE</p>	<p>No increase in volume of postage except for VAT literature. Capital expenditure on new telecommunications at Heathrow Airport; investment in new technology to increase output of staff.</p>	<p>Need for wide variety of official forms. VAT work dependent on computerisation.</p>	<p>Accurate monitoring of postage from 1.4.82 with change to public posting methods; OP stationery ordered and paid for centrally; study on movements of non-urgent post between HQ and regions. Telecommunications budget monitored centrally. Studies of cost-effectiveness of new computer equipment.</p>	<p>Instructions to staff on economy in use of postage, telecommunications etc. 1980 exercise on surrender of surplus telephones, saving of £17,000 pa.</p>

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INLAND REVENUE	Substantial price changes in postage and telecommunications. Volume reduction on stationery, offset by new forms for Rayner scrutinies of PAYE movements procedures/PAYE deduction cards. Switch from printing to photocopying meant more hire charges, cost of replacement machines.	Some work is demand-led rather than related to staff numbers, so costs not automatically reduced by staffing cuts.	Postage considered as part of reviews of procedures; and monitored by Budgetary Control Officer; change to public posting methods from 1.4.82. Control of telecommunications with BCO at HQ responsible for economy measures. Stocks of stationery are kept to a minimum. Photocopying is a separate item within Budgetary control system.	Acknowledgements and reminders kept to a minimum; 2nd class post (90%); maximum use of IDS. Use of PO discount services in appropriate cases. Removal of telephones, publicity about economy reducing number of dialled units. Shorter tax tables meant saving in paper; greater flexibility in forms design. Reviews of photocopying arrangements.
NATIONAL SAVINGS	Increased volume of post and publicity reflecting savings boost packages. 1980-81 PO charges inflated by delayed telephone billing; 12% reduction in metered units.	-	Regular review of post. Review of stationery stock levels to reduce holdings. Delegated powers at HEO and above. Centralisation of non-urgent copying.	Dividend payment by bank credit to reduce post; severe curtailment of acknowledgements. Review led to removal of 120 telephone extensions; reduction in staff/telephone ratio. Use of white not coloured paper, purchased from manufacturer. not HMSO.

OFFICE SERVICES

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee.</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>CIVIL SERVICE</p>	<p>Volume increases in Estimates for postage and telecommunications not realised. Volume increase for computers for allied service work; reductions for publicity and stationery.</p>	<p>Recruitment not at expected level.</p>	<p>Considering further reductions in number of telephones, relinquishing Federal system. Control of stationery exercised centrally - only 2 months supply held. Monitoring use of photocopiers; exercise on cost-effectiveness of bringing HMSO work in-house. Divisional budgets in recruitment group to exercise closer control over advertising; library services under constant review.</p>	<p>Reminders to staff about economy measures. Maximum possible use of IDS, 2nd class post. Reduction in telephones from 1100 to 800. Economies in bulk ordering from HMSO.</p>
<p>HM STATIONERY OFFICE</p>	<p>Considerable overspend on printing and stationery in 1979-80 Estimates; increase in postal charges.</p>	<p>Volume of work determines cost.</p>	<p>-</p>	<p>-</p>

OFFICE SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
SCOTTISH OFFICE	No increase in postage, but volume increase in telecommunications, together with substantial price increases. Volume increase in purchase of administrative computers and maintenance costs.	Varied nature of work undertaken. Successful campaign to reduce official travel has produced an increased number of telephone calls. Spread of offices in Scotland and distance from London means long-distance calls.	Monitoring of postage with change to public posting methods from 1.4.81. Review of telephone usage to assist rationalisation; monthly monitoring of expenditure. Review of photocopying, and computer expenditure; cost effectiveness studies. Control over postage, use of telephones, stationery, photocopying vested in line management.	Reduction in 1st class mail, greater use of van services and bulk despatch to area offices and London. Reminders to staff of need for stationery and telephone economy, removal of surplus extensions. 6 photocopiers given up with office rationalisation.
WEISH OFFICE	Cost of HMSO goods and services for 1979-80 and 1980-81 not comparable, but probable reduction in volume. Expenditure on administrative computers.	Telecommunications costs should be reduced with move to Cathays Park but this clouds comparison between years. Advertising depends on number of statutory notices.		Maximum use of IDS, bulk despatch, wider use of 2nd class mail. Economy urged in use of telephones; increased number of private wires.

OFFICE SERVICES

<p>Department</p>	<p>Price and volume factors</p>	<p>Determinants of cost per employee</p>	<p>Monitoring and control of costs</p>	<p>Methods and practices yielding savings</p>
<p>NORTHERN IRELAND OFFICE</p>	<p>Substantial volume increase foy new secure service-wide telephone system, and cost of replacing Minister's car.</p>	<p>Transport costs - specially equipped vehicles.</p>	<p>Constant monitoring of mail not despatched by courier (reduced by 1500 units pa) and stationery, with reductions in variety. Delegated powers on stationery only. Budgeting and monthly monitoring of all expenditure.</p>	<p>80% of postage despatched by courier. Use of CBX and tie-lines; 48 fewer extensions; 34 fewer privacy sets.</p>
<p>PAYMASTER GENERAL'S OFFICE</p>	<p>Increase in postage and telecommunications due to price rises and number of pensions issued. Increased hire and maintenance costs of additional computer equipment.</p>	<p>Workload dependent on number of pensions; importance of security in deciding quality of materials.</p>	<p>Close watch of efficiency and cost-effectiveness of postage. Arrangements underway for connection to Govt Telephone Network. Frequent review of stationery costs; control on level of stocks. Strict control on use of photocopiers.</p>	<p>Reminders to staff of economy measures. 1st class post for urgent correspondence only; use of Printed Postage Impression. Facsimile lines from 2 to 1. Internal production of forms, optimum use of discounts on HMSO items.</p>

OTHER SERVICES (agency services, contract staff)

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
MINISTRY OF DEFENCE	Price increases in Giro and Banking Services; contract staff and BBC Monitoring Service. Volume decrease in Giro and banking services; volume increase in agency staff and contractors (computer consultancy, and switch to contract office cleaning).	-	Expenditure controlled through estimates and forecast procedures.	-
FOREIGN AND COMMONWEALTH OFFICE	Price increase of 35% in Agency charge to Post Office for issue of British Visitors Passports.	-	-	-
OVERSEAS DEVELOPMENT ADMINISTRATION	Volume reduction in contract staff; fewer agency secretaries due to easier recruitment situation for regular secretaries.	-	Control of agency and fee paid staff by need within set budget.	

OTHER SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INDUSTRY	Volume increase largely due to pre-flotation work on British Aerospace and cost of contract cleaning.	/	Centralised system for purchase of external consultancy and advice service introduced. Critical scrutiny of proposals against criteria of strict need and available internal resources. All proposals critically examined at senior level.	Effective control systems.
TRADE	Comments as for INDUSTRY.		Expenditure on approved contracts controlled by cost limits written into contracts.	
ENERGY	Abolition of Electricity Discount scheme. Introduction of fee to BNOC for handling royalty. Introduction in 1980-81 of full repayment costs to other departments.	/	Fee to BNOC for managing pipeline and storage system is based on actual agreed costs plus incentive fee.	Basis for settling BNOC's fees will be subject of a submission to Ministers soon. Levels of staffing and costs at ETSU and MATSU under review.

OTHER SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
EMPLOYMENT	Cost of girocheques increased by 188% because of demand related schemes - eg job release.	/	Entertainment - special control exercised by Director of Accounts and Audit. Special investigations.	Use and extension of local budgets. Systematic reviews by top management.
MANPOWER SERVICES COMMISSION	Agency staff costs and repayments to other departments for services dictated outside MSC.		Annual Corporate Plan.	
TRANSPORT ENVIRONMENT PROPERTY SERVICES	No returns	/		
HOME OFFICE	Volume changes have kept down cost of Post Office and other agency services.		Control exercised through PES, Estimates and FIS. Constraints on Manpower in Prison Dept mean greater use of consultants in connection with prison building - costly but essential.	Investigating possible manpower savings resulting from privatisation of domestic services at training establishments.

OTHER SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
LORD CHANCELLOR'S DEPARTMENT	Increasing cost of computer services. High proportion of bills from PSA received erratically. Increase in cost of shorthand reporting resulting from study with CSD agreement.	/	Individual budgets allocated to circuits; detailed monitoring of all systems.	Intensified investigations into areas to identify fields of economy; recommendations followed up.
HEALTH AND SOCIAL SECURITY	DHSS's 2nd largest area of expenditure; cost is mainly related to the number of claimants, but also includes adjudication procedures.			Rayner scrutiny of payment of benefits. Management services study of adjudication procedures.
HM TREASURY	Cleaning by contract; agency typists - number kept to a minimum.	/	Payments monitored against cleaning cash limit. Chief Superintendent produces a monthly report on costs of agency typing services. Overall financial control exercised through Budgetary Control Officer.	
CUSTOMS AND EXCISE	Overall cost increase 44.5%, significant items = PO agency charges and payments to Laboratory of Govt Chemist (18%)		Expenditure controlled through deptl participation in LACES User Finance Committee which scrutinises NDPS budgets. Control of development of DEPs by scrutiny of NOPS bills. Govt Chemist - quarterly accounts submitted to Dept.	

OTHER SERVICES

Department	Price and Volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
INLAND REVENUE	Increase in banking charges stemming from build up of Accounts Offices, additional Exchequer & Audit work, increases in contract cleaning and consultancy fees.	/	Primary responsibility for control with Finance Division. Cash Budgets set in advance in particular cases but in practice line managers have little control over prices.	
NATIONAL SAVINGS	Overall increase Giro bank inpayment services. Sales of securities to DMS by commercial banks, exceptional compensation payment to PO.		Monitored monthly, but level of payment demanded; little control over PO agency charges. Employment of outside computer consultants carefully controlled with advice from CCTA. All expenditure subject to budgetary constraints.	
CIVIL SERVICE	Increased volume of expenditure planned: CS college provision of contracted out courses and outside lecturers fees; CCTA - technical consultants recommended by longer-term review - delayed implementation.	/	Divisional or group budgets. Regular central oversight by Fin, Division quarterly reports to PSMG.	

OTHER SERVICES

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
HM STATIONERY OFFICE	1980-81 capital expenditure reflects heavy investment in the new Main Distribution Centre. Increased accounting costs for depreciation and insurance following HMSO being made a Trading Fund.	/	Expenses and income monitored through a computer based management accounting system. Monthly reports to top management. Investment tightly controlled. Expenditure on approved schemes monitored.	
SCOTTISH OFFICE	Price increase in agency and consulting charges, and PGO service. Large volume increase in professional services. Move to contract cleaning.		Purchasing of professional services controlled by Building Directorate within set limits. All other services controlled centrally at Prin. level.	
NORTHERN IRELAND OFFICE	Price increase partly offset by volume decrease due to reduction in agency staff and lower expenditure on services from other govt depts.			Review of functions will result in some economies.
PAYMASTER GENERAL'S OFFICE	Charges for PO work in paying CS and NHS pensions governed by terms of contract; more computer consultant support.			

OTHER NON-OFFICE EXPENDITURE

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
MINISTRY OF DEFENCE	MOD car pool.		Manpower reductions led to reductions in Grade B staff cars and senior officers sharing cars.	Studies of need and size of car pool. Further study of Drivers of Staff cars and 1981 Rayner study into passenger movement.
FOREIGN AND COMMONWEALTH OFFICE	Capital expenditure on land and buildings overseas - controlled by PSA.			
OVERSEAS DEVELOPMENT ADMINISTRATION	Transport provided by PSA; No change in usage.			

OTHER NON-OFFICE EXPENDITURE

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
<p>AGRICULTURE, FISHERIES AND FOOD</p>	<p>Increased maintenance costs in ADAS laboratories. % volume decrease in Fisheries due to new storage facilities at Lowestoft enabling bulk buying at large discounts. Increased cost of storing Foot and Mouth disease vaccine.</p>	<p style="text-align: center;">/</p>	<p>Estimates exercise serves as an annual review of ADAS. Economies in laboratory operations. ADAS HQ approval reached for expenditure on new R & D projects. General methods of control effective. Land Sales - outturn monitored monthly: close HQ check on money spent on emergency work. Fisheries - regular reviews of research programmes. Close liaison with manufacturer of vaccine over prices.</p>	<p>Considerable savings and staff reductions through land sales policy. Fisheries - cost of vehicle fleet reduced by purchase of more general purpose vans rather than special vehicles. Bulk buying enables savings to be made.</p>
<p>HOME OFFICE</p>	<p>Price increases + volume increases reflecting greater activity of police training centres, forensic Science Service and police wireless service. Volume increase in prisons due to purchase of extra plant equipment and materials for prison industries.</p>	<p style="text-align: center;">/</p>	<p>PES, Estimates and FIS monitoring procedures.</p>	<p>Privatisation of domestic services at training establishments a probability of prisons industries being reviewed.</p>

OTHER NON-OFFICE EXPENDITURE

Department	Price and volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
LORD CHANCELLOR'S DEPARTMENT	Increase in legal services, jurors expenses due to greater courtroom usage + jurors' higher compensation.	/	See other services.	See other services.
HM TREASURY	Economic research		Budget subject to some general control arrangements as other non-pay items of expenditure.	General review reduced cash limit to 1979-80 level. Reducing level of financial support for National Institute for Economic and Social Research ($\frac{1}{2}$ the total expenditure on econ-research).
INLAND REVENUE	Increases mainly due to volume change in capital spending - vehicles, plant and equipment, also legal expenses. Reduction in public transport in some areas minimises the scope for departmental cars to prove more economic.	/	Monitoring to ensure that cars are provided only where use is more economical than by other means. Purchase of new cars approval at Principal level but authorised by GSD. Quarterly scrutiny of performance.	Policy is to increase car use where this represents a saving. Experiment shortly to apply budgets to all travelling and subsistence costs at some local offices. Long term leasing schemes a possibility.

OTHER NON-OFFICE EXPENDITURE

Department	Price and Volume factors	Determinants of cost per employee	Monitoring and control of costs	Methods and practices yielding savings
CUSTOMS AND EXCISE	<p>Increase in vehicle running costs reflect VAT and petrol price increase, and servicing costs incurred by postponing car replacement. Number of vehicles dropped. Decline in spending on vessels, due to completion of building programme for revenue fleet.</p>	<p style="text-align: center;">/</p>	<p>Full utilization of vehicles. Delegation of running repairs to vessels up to £2000. Above that, authorisation by HQ. Refits of vessels put out to tender.</p>	<p>Fuel economy campaign should make a saving of 6%. Buying tyres and batteries from outside industry. Scope for use of commercial services has been considered.</p>
SCOTTISH OFFICE	<p>Land settlement, research work, Ancient Monuments; no comment on increases.</p>		<p>Limits set and regular monitoring carried out. Police Colleges, Laboratories etc day-to-day control delegated to Director or Commandant. Limits are set and regular monitoring carried out.</p>	
PAYMASTER GENERAL'S OFFICE	<p>Computer hardware, office machines, desk calculators.</p>		<p>Pay and Accounts Section in overall control of voted provision.</p>	

MINISTERIAL REACTIONS TO:

	MAIN EXERCISE	FOLLOW-UP QUESTIONNAIRE
MOD	Useful, adds to climate of cost-consciousness	-
FCO	Useful, but departments need to develop own management information system giving functional/regional breakdown	-
ODA	Very useful	-
MAFF	Valuable picture of running costs and development of resources	Had hoped for a more selective approach (ie only high costs examined)
Industry	Useful, but most benefit from disaggregated information (eg by Division)	-
Trade	Not convinced that this is the most effective means of achieving more efficient resource management	-
Energy	-	-
Employment Group	Useful; new awareness of responsibility for efficient management of resources	Pointless to make comparison now using <u>Estimates</u> 1980/81 figures
Transport	Interesting but must avoid over-elaboration	No Reply
Environment Group	Worthwhile, shown its value in pinpointing some areas where cost movements need tighter control	No Reply
Home Office	-	What use should be made of all this?
LCD	-	-
DES/OAL	Limited value, but hopes that in time it will prove useful	-
DHSS	Useful tool for Ministers but DHSS already makes own analysis of administrative costs	Easier, less time-consuming if scrutiny brought into normal process of departmental accounting

of Ex's
Depts

Interesting - valuable addition
to management information,
disaggregated information
potentially fruitful but time-
consuming

Central enquiry is no
substitute for the detailed
scrutiny by departmental
Ministers; exercise should
be regarded as principally
for them

CSD

-

-

Scottish
Office

Need to find ways of minimizing
the workload in preparing such
management accounts

Interesting and instructive
but reservations on
technical points

Welsh
Office

Not sure it serves much useful
purpose

-

NIO

Worthwhile, but doubts whether
the amount of work is justified
by the results

A valuable tool if used
judiciously



Chancellor of the Duchy of Lancaster

Civil Service
PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

✓
MAD 7 April 1981

Dear Jim

You will recall that Cabinet agreed on 29 January that all Ministers should forward to the Chancellor of the Duchy of Lancaster estimates of the volume and cost of Departmental Correspondence in 1980. You will also have seen subsequent private Secretary letters discussing the basis on which this exercise should be established.

In the light of these discussions the Chancellor of the Duchy of Lancaster considers that the information concerning the volume of correspondence last year should be provided in the following manner:-

1. Letters addressed to Ministers from MP's, Peers and Privy Counsellors.
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials including private secretaries.
2. Letters addressed to Ministers from other members of the public.
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials including private secretaries.

The Chancellor of the Duchy believes that the Cabinet would not wish Departments to incur large costs in obtaining these figures and in this connection he would draw to the attention of Departments the Prime Minister's view that rough and ready estimates may be used where precise figures are not readily available.

The Lord President's office has suggested that an assessment on a Department by Department basis of the average current cost of preparing Ministerial and official replies to letters


Cont.../

addressed to Ministers would be excessively expensive. Instead it is proposed that the results of a Department of Health and Social Security analysis of the indirect cost of Parliament, which will provide information on the cost of ministerial replies based on a very large sample, should be used to calculate approximate costs across Departments. It will not be necessary therefore for individual Departments to undertake any work in this connection.

It is thought that Department of Health and Social Security's work in this area will be ready during the summer. The Chancellor of the Duchy would therefore be grateful if the information specified in paragraph 2 could be forwarded to this office by the end of May.

I am copying this letter to Tim Lancaster (No 10), to the Private Secretaries to all Cabinet Ministers and to David Wright, (Cabinet Office).

Since the Chancellor of the Duchy will be circulating a paper drawing together all the relevant information, I would be grateful if recipients would copy their replies to the Lord President's office only.

yours sincerely


N P M HUXTABLE
Private Secretary

J Buckley, Esq
Private Secretary to the Lord
President of the Council
Civil Service Department
Whitehall



✓
MAD

with compliments

Private Secretary to the
CHANCELLOR OF THE DUCHY OF LANCASTER
70 Whitehall London SW1A 2AS
Telephone 01-930 5422



Chancellor of the Duchy of Lancaster

Civil
Service

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AJ

31 March 1981

New Times

DEPARTMENTAL CORRESPONDENCE IN 1980

Thank you for your letter of 20 February 1981.

The Chancellor of the Duchy of Lancaster has considered the comments made in response to Robin Birch's initial letter and now proposes that Departments should be asked to provide the following information relating to Departmental correspondence in 1980:-

1. Letters to Ministers from MP's, Peers and Privy Counsellors
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials, including Private Secretaries.
2. Letters to Ministers from other Members of the Public
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials, including Private Secretaries.

In the light of the comments of the Prime Minister and the Lord President the Chancellor agrees that Departments should not incur large costs in providing the above figures and that rough and ready estimates of the volume of correspondence should be used where precise figures are not readily available.

In connection with the costing of replies to letters to Ministers, you suggested that it would be excessively expensive for individual Departments to undertake an assessment of the current average cost of preparing letters. Instead you proposed that the Department of Health and Social Security's analysis of the indirect cost of Parliament, which will provide information about the average cost of preparing Ministerial replies in that Department, should be used as the basis for estimating approximate costs across Departments. The Chancellor of the Duchy agrees with this proposal and with the further suggestion for assessing the relative cost of official replies.

Cont.... /



I note from Don Brereton's letter on this subject that the DHSS's work on the costing of letters will not be ready until mid summer and I think therefore that Departments might be given until the end of May, rather than one month, to prepare their estimates of the volume of correspondence last year. I would be grateful if DHSS would confirm the likely date of completion of the relevant work on the cost of Ministerial letters.

The initial intention was that the Chancellor of the Duchy should write to all colleagues in charge of Departments to amplify the decisions taken by Cabinet on 29 January concerning estimates of the volume and cost of Departmental correspondence. However, I think that this exercise can now be satisfactorily completed on the private office net and I therefore propose
... to write along the lines of the attached to the Private Secretaries to all Ministers in charge of Departments.

I am copying this letter to Tim Lancaster (No 10) and to Don Brereton (Department of Health and Social Security) and to David Wright (Cabinet Office).

Yours sincerely
N P M Huxtable

N P M HUXTABLE
Private Secretary

J Buckley Esq.,
Private Secretary to the Lord
President of the Council



D R A F T

You will recall that Cabinet agreed on 29 January that all Ministers should forward to the Chancellor of the Duchy of Lancaster estimates of the volume and cost of Departmental Correspondence in 1980. You will also have seen subsequent private secretary letters discussing the basis on which this exercise should be established.

In the light of these discussions, the Chancellor of the Duchy of Lancaster considers that the information concerning the volume of correspondence last year should be provided in the following manner:-

1. Letters addressed to Ministers from MP's, Peers and Privy Counsellors
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials including private secretaries.

2. Letters addressed to Ministers from other members of the public
 - (a) Number of replies signed by Ministers
 - (b) Number of replies signed by officials including private secretaries.

The Chancellor of the Duchy believes that the Cabinet would not wish Departments to incur large costs in obtaining these figures and in this connection he would draw to the attention of Departments the Prime Minister's view that rough and ready estimates should be used where precise figures are not readily available.

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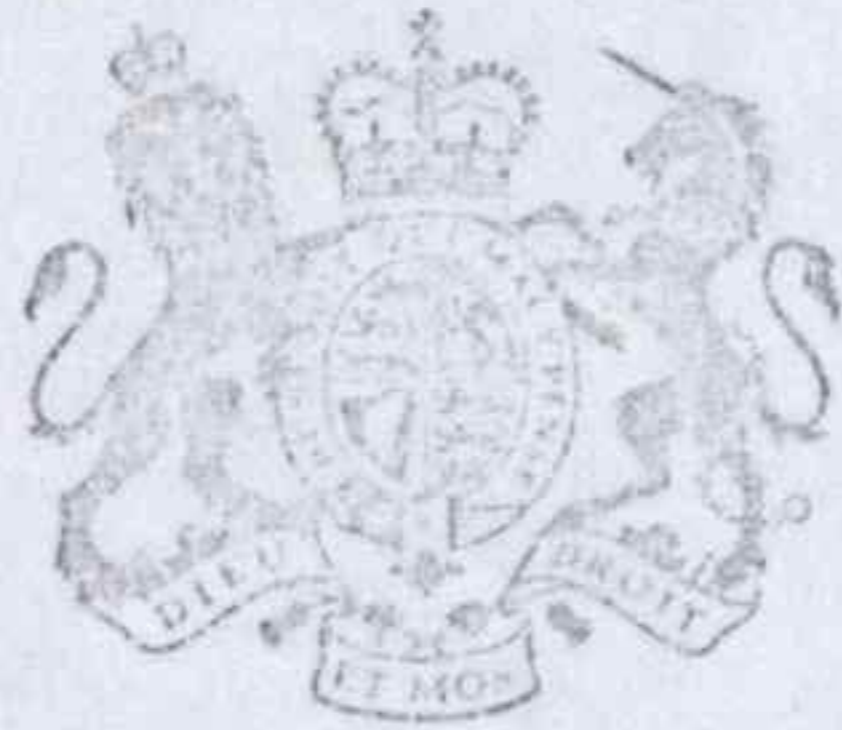
The Lord President's office has suggested that an assessment on a Department by Department basis of the average current cost of preparing Ministerial and official replies to letters addressed to Ministers would be excessively expensive. Instead it is proposed that the results of a Department of Health and Social Security analysis of the indirect cost of Parliament, which will provide information on the cost of ministerial replies based on a very large sample, should be used to calculate approximate costs across Departments. It will not be necessary therefore for individual Departments to undertake any work in this connection.

It is thought that Department of Health and Social Security's work in this area will be ready during the summer. The Chancellor of the Duchy would therefore be grateful if the information specified in paragraph 2 could be forwarded to this office by the end of May.

I am copying this letter to Tim Lancaster (No 10), to the Private Secretaries to all Cabinet Ministers and to David Wright, (Cabinet office).

J Buckley Esq
Private Secretary to the Lord President
of the Council.

FILE



10 DOWNING STREET

Civil Service

VLS

CC	HO	MOD	SO
	LCO	D/M	WO
	FCO	LPSO	NIO
	HMT	MAFF	JHSS
	D/I	DSE	D/T
			D/N
			DES
			CST
			PSO
			CO
			LPO

From the Private Secretary

23 February 1981

The Prime Minister has seen the exchanges about Departmental correspondence in 1980.

She very much shares the Lord President's concern that Ministers should not incur large costs in providing estimates for the "cost of democracy" exercise. She would expect Ministers to use very rough and ready estimates, which will allow some approximation of the volume of correspondence. She would most definitely not wish to see the exercise become a large cost in itself.

I am sending copies of this letter to Jim Buckley (Lord President's Office), to the Private Secretaries to other members of Cabinet and to David Wright (Cabinet Office).

M. A. PATTISON

David Heyhoe, Esq.,
Chancellor of the Duchy of Lancaster's Office.

VLS



From the Private Secretary

This exercise would be worth doing

Robin Birch, Private Secretary to the
Chancellor of the Duchy of Lancaster
Privy Council Office
68 Whitehall
LONDON SW1A 2AT

Dear Robin,

DEPARTMENTAL CORRESPONDENCE IN 1980

Thank you for your letter of 3 February.

The Lord President agrees that as Cabinet's concern is to get at the "cost of democracy" rather than of ordinary business between departments and the public, it would be reasonable to confine enquiries to letters addressed personally to Ministers. Even so, there will be difficulties. Most departments do not keep records of letters "treated officially". They will not be able to give numbers of these without a laborious and costly search.

The Lord President does not feel that Cabinet would wish large costs to be incurred in obtaining figures and suggests that departments be asked to provide numbers of letters treated officially only when they can be obtained fairly readily. From the figures that are obtained, it may be possible to make an approximate estimate of numbers across government. CSD would be glad to advise on this when the figures are available.

The cost of preparing replies cannot be reliably estimated in retrospect. A special exercise to obtain an estimate of current average costs in each department would be expensive (perhaps in the order of £20,000 or more) and would take some months to complete. However, as Don Brereton says in his letter of 13 February, DHSS, in response to an earlier Cabinet request, are keeping a record of the indirect costs imposed on them by Parliament in this session. This is expected, by about June, to provide a good indication of the average cost of preparing Ministerial replies in DHSS. As the sample of correspondence which DHSS are examining is large and varied, their figures should offer a reasonable basis for estimating approximate costs across departments.

Costing official replies is more difficult. The DHSS Rayner correspondence study might produce some relevant information, but not until the Autumn. Cabinet are likely to want an estimate of costs before then. If an expensive time-recording exercise is to be avoided, it will be necessary to make assumptions about the

The exercise will have to be very rough & ready

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

20 February 1981

Prime Minister

There is already a costly industry growing out of this 'cost of democracy' exercise.

Can I make it clear that you want to confine it to whatever estimate can be achieved at minimum cost, perhaps as in the penultimate para below?

*MPD
20/2*

relative cost of official and Ministerial replies. Very broadly the average cost of an official reply may be taken to approximate to the cost of preparing a first draft of a Ministerial reply. An average cost of such first drafts should be obtainable from the DHSS records.

If the Chancellor of the Duchy would be prepared to present estimates to Cabinet on this basis, the Lord President suggests that departments should not be asked for costings but costs should be estimated on the findings of the DHSS exercise. In this case, one month would seem an adequate time for replies.

I am sending copies of this letter for information to Tim Lankester, the Private Secretaries to other members of the Cabinet, and Sir Robert Armstrong.

Yours sincerely,
Jim Buckley.

J BUCKLEY

01-211-6402

David Heyhoe Esq
Private Secretary to the Chancellor
of the Duchy of Lancaster
Privy Council Office
Whitehall
London SW1A 2AT

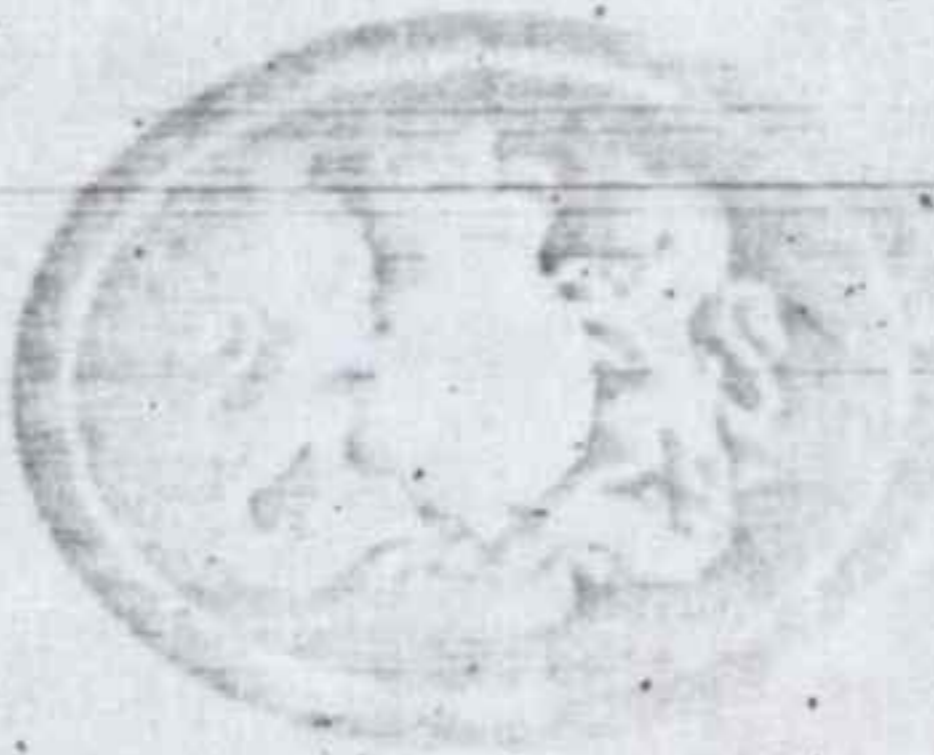
✓ MA
20 February 1981

Dear David

DEPARTMENTAL CORRESPONDENCE IN 1980

Robin Birch's letter of 3 February 1981 asked departments to set out the number of letters addressed personally to Ministers in 1980. For the categories devised, our figures for 1980 (which are based on estimates for the four Ministers' offices) are as follows:-

1	MPs, members of the House of Lords and Privy Councillors receiving replies		
		(a) from Ministers	3,500
		(b) from officials (PS's) on behalf of Ministers	500
2	Other members of the public receiving replies		
		(a) from Ministers	2,300
	and	(b) from officials on behalf of Ministers	4,400
		Total	<u>10,700</u>



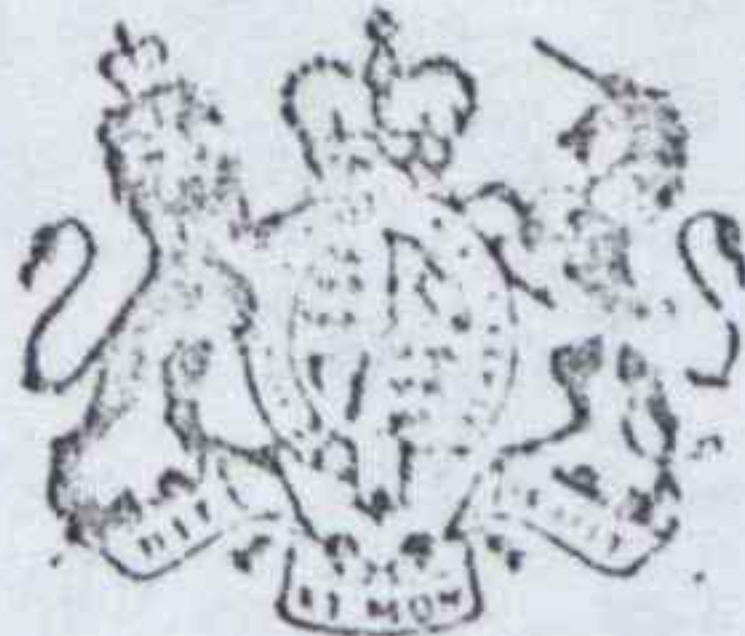
The figures for 1(a) include "intra-Government" correspondence between Ministers, but not Private Secretaries. The figure for 2(b) includes 3,000 letters which were handled on a "treat officially" basis.

As for costing, I note that we are awaiting CSD advice on how this is to be achieved on a consistent service-wide basis. However, you may like to know that a recent review conducted by this Department into the way in which ministers' cases are handled (ie the categories at 1(a) and 2(a) above) showed that the average cost of handling these cases is about £25 per case in this Department. The cost of the 5,800 letters receiving replies from ministers was thus £145,000. We estimate that the other letters might cost around £15 to answer, giving an overall cost of £218,500.

Yours sincerely

David Watts

D J WATTS
Private Secretary



✓
MA

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

Jim Buckley Esq
Private Secretary
Civil Service Department
Whitehall
LONDON SW1

13 February 1981

Dear Jim

DEPARTMENTAL CORRESPONDENCE IN 1980

I am writing to comment on Robin Birch's letter of 3 February 1981 suggesting an exercise on behalf of Cabinet to estimate the number of letters sent in 1980 by Departmental Ministers to Members of Parliament and Departments, and by Departments to members of the public, with an estimate of the approximate cost of preparing these letters.

My Secretary of State has of course put in hand, at the Cabinet's request, a record of the indirect costs of Parliament to DHSS (his letter to the then Chancellor of the Duchy of Lancaster of 8 October refers). As part of this record we should have by mid summer reasonably accurate figures about the costs of letters sent by Ministers to MPs. Until that exercise is completed and analysed, the only figure we shall have available is the number of the letters received from MPs.

As for the costs of correspondence with members of the public, our Private Offices keep figures on a basis that enables us to say - after some collation - how many letters written to Ministers were referred for reply by officials ("Treat Officially"). We cannot easily say how many letters from members of the public or outside bodies or pressure groups received a ministerial reply. As the Chancellor of the Duchy suspected, to go beyond this would cause us great difficulties of definition since eg. we should find it impossible to disentangle the "cost of democracy" letters from the proper correspondence over contributions and benefits which forms the bulk of the Department's business with the general public. The costs of costing even "Treat Officially" replies would be substantial. However, we have already posed the question of whether the handling of correspondence in DHSS HQ and related branches is as economical as possible, compatible with minimum acceptable standards of service to the public. My Secretary of State's proposal that a Rayner Scrutiny of this matter should be carried out in the Department during 1981 has proved acceptable

R.

CONFIDENTIAL

both to Sir Derek Rayner and to the Prime Minister.

To sum up: we could provide numbers of letters received from MPs and very rough 'guesstimates' of numbers of letters from members of the public within the prescribed month. More definitive data on the costs of MPs' correspondence will be available in mid summer. Costs of other correspondence would be difficult and expensive to get at as Robin Birch's letter suggests and we do not think it would be cost effective to mount an exercise to estimate it. However, a report from the DHSS Rayner correspondence study should be available in the autumn and may produce some relevant information.

From our point of view the exercise is not particularly well timed, and indeed in this Department we would prefer to delay a response until the results of our costs of Parliament exercise, and the Rayner scrutiny, become available.

Yours ever



DON BRERETON

CONFIDENTIAL



✓
MD

Civil Service

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

6 February 1981

Dear Sir

DEPARTMENTAL CORRESPONDENCE IN 1980

We saw Robin Birch's letter to you of 3 February. My Secretary of State is very interested in seeing that figures from the various Departments shall be produced on the same base - and that gathering the data shall not prove too expensive or slow.

For example, with Environment a central system of recording those letters to Ministers which were treated officially was stopped, on grounds of economy, some years ago so the suggestion from Robin Birch might prove difficult and certainly expensive to implement.

To make sure that all Departments can quickly and economically provide consistent figures, my Secretary of State suggests that officials should compare notes before your Department sends round advice.

I am copying this to Private Secretaries to all Cabinet Members, and to Sir Robert Armstrong.

For
D.A.E.

D A EDMONDS
Private Secretary

Jim Buckley Esq
PS/Lord President



Chancellor of the Duchy of Lancaster

✓
MAPPRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

3 February 1981

Dear Jim,

DEPARTMENTAL CORRESPONDENCE IN 1980

When the Cabinet discussed the 1980 annual scrutiny of departmental running costs at their meeting on 29 January they agreed that each Minister should send to the Chancellor of the Duchy of Lancaster an estimate of the numbers of letters sent in 1980 (a) by Departmental Ministers to Members of Parliament, and (b) by Departments to members of the public, with an estimate of the approximate cost of preparing those letters. The Chancellor of the Duchy was invited to circulate a report, on the basis of these estimates, on the analysis of departmental correspondence in 1980.

The Chancellor of the Duchy thinks it would be helpful if, before departments start work on this exercise, he were to write to all Ministers in charge of departments so as to ensure that their returns were on a consistent basis. He has asked me to seek the help of CSD on what should be said in the letter about both the scope and the form of the exercise.

As regards scope, the difficulty arises about estimating the number of letters sent by departments to members of the public and their cost. It would presumably be relatively easy for each department to give an estimate of the total volume of its correspondence in 1980. Much of this correspondence will, however, have been written in the course of the department's normal business - for example on tax returns, social security payments, individual immigration cases, and so on. The Chancellor of the Duchy is inclined to think, subject to the views of his colleagues, that to obtain this total of the number of letters and estimate their cost would not be a particularly useful exercise. To get at the "cost of democracy" it would presumably be necessary to distinguish within that grand total of correspondence those letters dealing with more general questions of policy rather than with individual cases. It seems doubtful, however, whether this particular group of letters could be readily identified within departments.

Contd

What the Chancellor of the Duchy therefore envisages is that the exercise might be confined to correspondence which originates with a letter addressed personally to a Minister. Many such letters receive ministerial replies, while those which are "treated officially" are nevertheless for the most part - though obviously not exclusively - about issues of policy, and handling them is part of the "cost of democracy".

The Chancellor of the Duchy therefore suggests, subject to CSD views, that each department might be asked to show for 1980 the number of letters addressed personally to their Ministers, subdivided between (1) those from MPs, members of the House of Lords and Privy Councillors receiving replies (a) from Ministers and (b) from officials on behalf of Ministers, and (2) those from other members of the public, distinguished again between any which receive replies from Ministers and those receiving replies from officials on behalf of Ministers.

The Chancellor of the Duchy would be grateful for CSD advice on (1) how departments might be asked to cost the preparation of these replies, bearing in mind that the requirement is an estimate of the approximate cost, and on (2) whether it would be reasonable to call for replies within one month from the date of his letter.

I am sending copies of this letter for information to Tim Lankester at No 10, the Private Secretaries to all members of the Cabinet, and Sir Robert Armstrong.

Yours ever,

R Birch

R A BIRCH

Jim Buckley Esq
Private Secretary to
the Lord President of the
Council



Card Service

✓ MRP

CABINET OFFICE

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

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

30 January 1981

RUNNING COSTS IN DOE (CENTRAL)

— 010 to MRP?

1. Many thanks for your letter of 27 January enclosing terms of reference and an explanatory memorandum.
2. The coverage of the study and the "four phase" method of working look excellent and reinforce me in my decision to give the scrutiny my endorsement. I have now done so when I minuted the Prime Minister earlier today about the scrutiny proposals as a whole.
3. The scrutiny is not only important for your own purposes but offers scope for substantial read-across to other Departments. The results of the annual scrutiny of running costs have certainly borne out the need for this. I am particularly glad to see therefore that the team will be looking to ensure reconciliation with MINIS, the annual scrutiny of running costs and Estimates.
4. I am glad that the team are in touch with CSD officials. I, or David Allen here on my behalf, will be very happy to give every assistance also.
5. As soon as the Prime Minister has accepted the study into the scrutiny programme, I will let you know.
6. I am copying this to recipients of yours.

DEREK RAYNER



✓
MH

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

27 January 1981

Dee Smith

RUNNING COSTS IN DOE (CENTRAL)

In my letter of 6 October to Paul Channon, I canvassed the idea of a "Rayner" study of running costs in my Department and indicated that officials would be working up proposals. The letter of 21 October from your office to mine indicated your general support and I have since included the suggestion in my proposals for the 1981 Scrutiny Programme.

I am now writing with formal proposals for the study and enclose:

- a. the proposed terms of reference; and
- b. a memorandum enlarging on the terms of reference and indicating how the study is to be carried out.

I understand that your office have seen these in draft and that they have been discussed with CSD officials.

The study would be carried out by a 2 man team who would work full-time on it, and the objective would be to complete it by early April. The team are already in touch with CSD officials in view of the points made by Paul Channon in his letter of 29 October about the possible general implications.

I am anxious to keep the study to manageable size and to avoid duplication of work done already. Thus, as foreshadowed in my letter of 6 October, the study will concentrate on running costs other than manpower costs. A great deal of work has already been done on manpower costs, and the problems of management and control have been identified.

I also want to build on what we have already achieved. MINIS and manpower budgeting provide the basis for an adequate system and the study will be investigating the scope for developing them to cover non-staff costs and to approve a basis for local control and accountability.

I am sending copies of this letter and enclosures to the Prime Minister, to John Biffen and to Barney Hayhoe.

yes
over
MH

MICHAEL HESELTINE

Sir Derek Rayner

DEPARTMENTAL RUNNING COSTS IN DOE CENTRAL

TERMS OF REFERENCE OF RAYNER STUDY

To examine the methods now used to estimate, monitor and control expenditure on running costs in the Department of the Environment, and, with a view to securing

- (a) effective managerial control over such expenditure,
- (b) the maximum economy and value for money in such expenditure,
- (c) the delegation, where this is reasonable and practicable, of properly accountable responsibility for such expenditure to managers of departmental units in respect of which it is incurred, and
- (d) that the respective responsibilities and functions of the relevant Establishments and Finance divisions are such as to achieve these objectives,

to report and to make recommendations.

RAYNER STUDY OF DEPARTMENTAL RUNNING COSTS IN DOE CENTRAL
SCOPE AND OBJECTIVES OF THE STUDY

1. This memorandum does not form part of the formal terms of reference of the study. It explains and supplements the terms of reference and indicates how it is envisaged that the study will be carried out.

2. The term running costs embraces all expenditure chargeable to section C of the DOE Central Administration and Environmental Research Vote other than (a) wages and salaries of Ministers, permanent staff, and period appointees and the directly associated expenses (National Insurance and superannuation) and (b) expenditure on computers.

The study will also extend to accommodation costs (not at present borne on Vote VIII,9). The study will thus cover the following broad areas:-

- (i) Payments in respect of overtime and casual employees.
- (ii) Consultants fees.
- (iii) General administrative expenses (eg travel, subsistence, entertainment, removals, catering subsidies, protective clothing).
- (iv) External training.
- (v) Office services (including transport, telecommunications, postage, office machinery, stationery, photocopying, printing and publications).
- (vi) Library services.
- (vii) Accommodation costs.

The study will, however, be confined to matters within the control of DOE (Central). Insofar as goods and services are provided by outside suppliers or by other departments or organisations, it will be concerned with methods of estimating, monitoring, and controlling consumption of those goods and services and thus with the costs incurred. But it will treat the prices charged (or which will be charged when repayment arrangements are fully implemented) by suppliers or by other departments, etc, as given and will not investigate the methods by which those prices are determined.

3. It is implicit in the terms of reference that there will be four phases to the study.

4. First, the study should examine the current methods used to estimate expenditure on running costs and recommend how these methods might be improved. The examination and the recommendations should extend, where possible, to the criteria used to assess the need for expenditure, and the value of expenditure actually incurred, and should consider the possibility and desirability of carrying out these assessments of need and value by extension of the systems that are being developed in DOE for providing Management Information for Ministers (MINIS) and for manpower budgeting.

5. Secondly, the study should examine the methods used to control actual expenditure, once estimates have been made, and those used to monitor expenditure as costs are incurred and should recommend how these methods might be improved. In so doing, the study should consider the scope for the use of computers.* (At present, accounting for running costs is carried out manually and the transfer of the work to computers will not take place in the immediate future.)

6. Thirdly, in light of its consideration of methods of estimating, controlling, and monitoring expenditure on running costs, the study should recommend how and how far responsibility and accountability for such expenditure might reasonably be transferred to the line managers or local units in the Department by or in respect of whom the expenditure is incurred, whilst retaining an overall control in the hands of Establishments and Finance. The study should consider the scope for giving effect to such an extension of responsibility to line management through developments of the MINIS and manpower budgeting systems or through other arrangements. The recommendations should distinguish between those categories of costs:

(a) for which individual line managers at a given level might be made responsible;

(b) for which delegation to line managers would be inappropriate but for which local cost centres (eg regional offices) might be identified; and

* The Department of the Environment and the Department of Transport have jointly retained consultants to develop a strategy for the provision and management of computers within the Departments. The consultants will not complete their assignment before May 1981. They may recommend a system which would be suitable for controlling and monitoring running costs, but this is not one of the prime objectives of their remit.

(c) those for which responsibility should continue to be exercised centrally.

7. Fourthly, and again in light of its consideration of methods of estimating, controlling, and monitoring expenditure on running costs, the study should consider the respective responsibilities of the relevant Establishments and Finance divisions with a view to making recommendations to secure effective central management responsibility for running costs, bearing in mind any changes recommended in the third phase of the study.

8. The study should distinguish throughout between the various categories of running costs specified for the purposes of the Rayner Annual Scrutiny.

9. Whilst the study will be concerned with running costs as defined in para 2 above, the study will seek to ensure that information on running costs is consistent, and can be reconciled, with the information on total costs produced for the purposes of Estimates and the Annual Statement of Running Costs.



29 JAN 1981

13



2 MARSHAM STREET
LONDON SW1P 3EB

Mr Ennals

cc PS/Mr King	Mr Peel
PS/Mr Stanley	Mr Brearley
PS/Penn Sec.	Mr Wilson
PS/Mr Mosley	Mr Leonard
Mr Calvert	Mr P. D. Davies
Mr Han	Mr Fenem (O.S.)
Mr Burr	

My ref:

Your ref:

Mr Paul

- 6 OCT 80

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

In your letter of 22 April 1980 you invited Departments to complete scrutiny forms in relation to their Departmental costs for 1978/79, 1979/80 and 1980/81.

I now enclose with this letter the completed forms for DOE Central, for PSA (with a separate return for PSA Supplies) and for the Ordnance Survey. Beneath each of these sets of forms I attach a detailed commentary on some significant cost lines, together with explanations of the monitoring and control arrangements which the Department presently operates. The question of training objectives and costs which you referred to in your letter of 7 August is being dealt with separately and I shall be writing to you on the results of the study I am conducting in this area at a later date.

You know already about my approach to the control and use of manpower and the MINIS system I have introduced. What the Scrutiny has revealed is the need for a tighter grip on other overheads.

My initial reaction, when I went through these costs with my officials, was that some of the percentage increases in the figures are horrifyingly large and displayed completely inadequate control. Having gone into them more carefully I am now satisfied however that the position is not quite so black as that. All of the lines do have some mechanisms for monitoring and control; and most of the larger increases are attributable to special factors, or to the problem of comparing outturn for 1979/80 with Estimates for 1980/81. Nevertheless I do think there is considerable room for tightening up the control arrangements on a number of these items. I believe that the key here must be a rigorous method for setting tight budgets, and then to have someone with a very clearly defined responsibility for monitoring and controlling each item.

I am particularly interested in the possibility of establishing more local cost centres for this purpose, which is very much in line with what Derek Rayner is looking towards and with your Department's own initiatives. This would involve identifying appropriate sub-units of the Department, and giving them their own local budgets for some (or all) of their costs, and holding them accountable for their performance against these targets. I believe that for some at least of the overhead costs which can be controlled locally this would be a valuable discipline throughout the Department. On the other hand, it would of course need a system for breaking down

Cost information to sub-units and monitoring it regularly at this decentralised level. This could be a complex business involving computerisation; we will therefore need a proper feasibility study. Such a study might also usefully consider the proper relationship between local cost centres within the Department and the central controlling points in Finance and Establishment Divisions which will of course still be needed. I would also like the study to consider the scope for relating the achievements and performance of sub-units as assessed through my MINIS system to their performance on the cost side.

I have asked my officials to draw up specifications for a study on these lines. There are some quite large and important issues involved in this field which I think may possibly be of service-wide interest, and I am wondering therefore whether this might be an appropriate area for another Rayner study within DOE. I should be interested to have your views on this, and those of Derek Rayner to whom I am copying this letter.

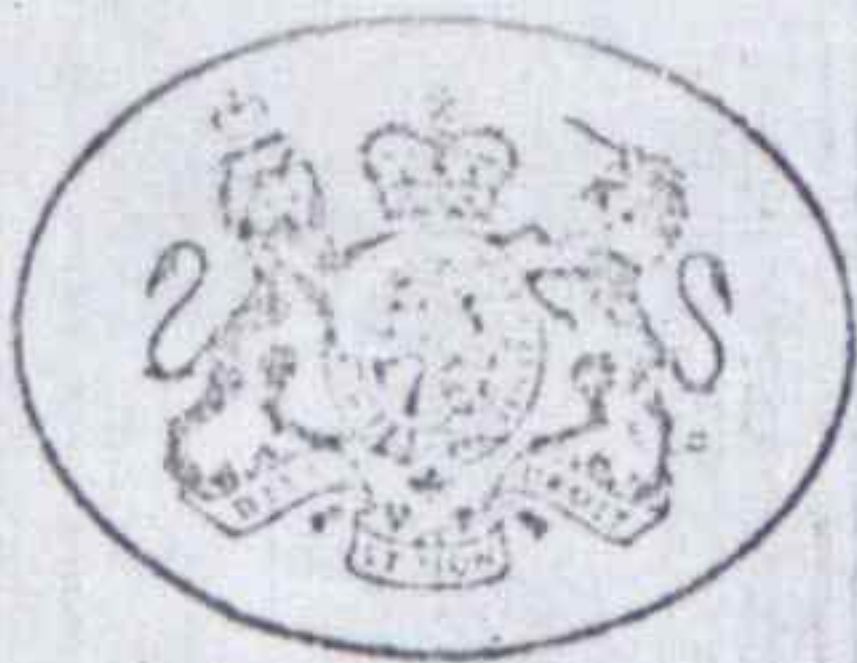
Meanwhile in the short term the main conclusion I draw is that it will be necessary to exercise a tighter grip over the preparation of next year's Estimates for Departmental costs and more rigorous monitoring thereafter. I shall be taking steps to achieve this at my end, and no doubt CSD may find useful material in these forms for improving their scrutiny of the draft Estimates when they come to you.

Finally, on the annual scrutiny exercise itself I consider that this has proved worthwhile and I would agree that it should proceed and develop as an annual across-Government process. This first year's exercise has naturally been on a somewhat experimental basis and there have inevitably been some technical problems in bringing cost figures together into the new format, but it has already showed its value in pinpointing some areas where cost movements need to be more tightly controlled.

If the exercise is repeated in future years there are various aspects of the analysis which might be improved (eg comparison of outturn 1979/80 with Estimates for 1980/81 can - on its own - be rather misleading). And within my own area I hope that PSA will be able by next year to improve on the rather crude attribution of accommodation costs to Departments which they have had to use this year. This ties in, of course, with the proposals on a system of repayment for PSA services which I shall be discussing with Sir Derek Rayner very shortly.

Yes
MHE

MICHAEL HESELTINE



Minister of State

The Rt Hon Michael Heseltine MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

30 OCT 1980
PRIVATE OFFICE

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

29. October 1980

Dear Michael

M. J. G. [unclear]
Adv pt to formal
cc [unclear]

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

Thank you for your letter of 6 October in which you proposed a study of the scope for developing cost centres to improve control arrangements in your Department. I have seen Mr Priestley's letter of 21 October to your Private Secretary, giving Sir Derek Rayner's comments.

I very much agree with Derek Rayner that this is an interesting and encouraging idea. And I see no reason why the study should not be treated as a scrutiny - in addition, as he suggests, to one of the normal kind. Since the study of cost centres has wider ramifications than normal scrutinies, however, I suggest that the central departments should be involved rather more closely than usual.

There are two reasons for this. First, since systems of this kind are expensive to develop and run, it will be important to ensure that the local budgeting system supports and strengthens, but does not duplicate or undermine, the main financial systems of the Department. Experience in one or two other departments has shown the extreme difficulty of keeping and reconciling two sets of books. I think that my staff should be able to contribute some helpful advice on this. I suggest, if you agree, that they should be associated with the planning and, if it proves helpful, the conduct of the study. Since it will presumably cover expenditure beyond that for which the CSD is primarily responsible, it seems likely that the Treasury will also want to be kept in touch.

Secondly, I hope that the results of this study, together with the results of other work going on in this area, will prove to be of wider value by developing an approach which could be applied in other departments. The more my staff can see of the problems you meet, and the methods you use to overcome them, the better they will be placed to follow up in this way.

I am sending a copy of this letter to Derek Rayner and, in view of his interest, John Biffen.

[Handwritten signature]

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Ref. A04056

PRIME MINISTER

Annual Scrutiny of Departmental Running Costs

(C(81) 5)

BACKGROUND

✓ As agreed by Cabinet in October 1979, and following advice from Sir Derek Rayner, the Civil Service Department have completed their first annual scrutiny of Departmental running costs. A detailed report is attached to the Lord President's memorandum (C(81) 5).

2. The figures show marked variations between Departments. To some extent these variations will reflect differences of performance between one Department and another; but they will also reflect inevitable differences of structure and circumstances, and there is bound also to be an element of inaccuracy in the figures collected. We need more information and analysis before we can draw more than very general conclusions. The Lord President therefore proposes, in his paragraph 9, that Departments and CSD should now look at the figures critically and ensure that action is being taken to bring down costs where appropriate. He will report on the outcome of this to Cabinet before Easter. In parallel with this work, officials would look at outstanding technical questions in consultation with Sir Derek Rayner and in time for the next scrutiny. The Lord President recommends that a decision whether to publish anything on the outcome of the 1980 review should be deferred until the further analysis is available at Easter.

3. I suggest - and I see Sir Derek Rayner also suggests - that it is at that stage, when the figures are on a more reliable basis, that you should consider inviting Ministers and Permanent Secretaries of Departments whose increases still look unwarrantably large to come in and go through their figures with you.

4. But, however rough the present figures, the general message is clear enough. I have no doubt - my own experience in the Cabinet Office confirms - that annual scrutinies on these lines will offer a good deal of help and stimulus to

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Departmental managements in their efforts to bring down costs. But, given the roughness of this first run of figures, we have to be wary about drawing conclusions from the absolute levels of the figures for a given Department, or from apparent comparisons between one Department and another, without more supporting information. For instance, it is not surprising that policy Departments such as the Northern Ireland Office, Energy, or the Treasury have higher costs per employee than Departments, such as Defence or the Inland Revenue, which have a high proportion of lower-paid industrial and clerical staff; personnel overheads per employee will be higher in those Departments where a good deal of travel and subsistence payments are necessary. Comparisons would be more useful if they were between like Departments, or perhaps between different parts of the same Department. "Equivalent market rentals" put a significant extra loading on the figures for 10 Downing Street and the Cabinet Office!

5. I suggest that, in the further work by the Lord President, the aim should be not only to look more analytically at the figures collected in the 1980 exercise, and to see what conclusions can safely be drawn from them, but also to consider the possibilities for sharpening up the 1981 exercise by picking out the key ratios and comparisons which really will be significant and of use to Departmental managers. In this respect it is worth noting that the 1980 exercise was itself expensive - paragraph 27 of the report by officials claims that it cost the Chancellor of the Exchequer's Departments £60,000.

HANDLING

6. After the Lord President has introduced his paper other Cabinet Ministers will wish to comment. I suggest that you try to keep the discussion general: it would be tedious and not very useful if the discussion consisted of a succession of apologies and excuses by each Minister for his own Department's performance and rankings. You could remind the Cabinet that the Lord President proposes to bring a further report forward before Easter, taking account of a more detailed analysis. At that stage (you might add) you may want yourself to discuss some of the larger increases with the Ministers and Permanent Secretaries of the Departments concerned. In the meantime it would be helpful if Cabinet could pick

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out any general points which they would like him to take on board in this exercise. The questions of staff numbers and of Civil Service pay are under review elsewhere and you will probably want to focus on non-pay costs.

7. Since the figures are still in a raw state, the Cabinet may well agree that it is better to refine them further in the course of the work leading up to the Easter report, and then to consider the question of their publication.

CONCLUSIONS

8. You will wish to sum up with reference to the recommendations in paragraph 9 of C(81) 5:-

- (i) Inviting the Lord President to arrange for further interdepartmental work, taking into account the points made in Cabinet's present discussion, and reporting further before Easter.
- (ii) Approving the proposed further work on technical questions in consultation with Sir Derek Rayner.
- (iii) Deciding whether the question of publication of the 1980 review figures should be taken now or deferred until Easter.

RAA

ROBERT ARMSTRONG

21st January, 1981

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MS

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. Before Wednesday's meeting with you, the Lord President and Sir Robert Armstrong I thought it might be helpful to set down my thoughts on:

a. points that might be driven home at Cabinet on Thursday; and

b. the part that you yourself might take afterwards.

2. May I say first, however, that I very much agree with the tone of the Lord President's minute to you of 9 January. The attitude of some Ministers has, unhappily, been disdainful. But it is not all bad news. Some Ministers have used the data to ask searching questions and I think that it would be good to acknowledge this.

Cabinet discussion

3. I suggest that Cabinet should avoid bogging itself down in the detail of each Department's costs. It would be more helpful to focus on the general lessons to be drawn out of the pilot run and to move forward.

4. To that end you or the Lord President might wish to draw out such points as these:

a. The detail of this pilot run may not all bear either close examination or the condemnation of particular departments BUT the general trends are distinct enough and worrying enough (see below).

b. The annual scrutiny is manifestly valuable. The methods can be improved. But it should now become an accepted part of each Minister's armoury. (It is



incredible that it has never been done before and the Government can take credit for introducing it.)

c. Its main value lies in the Departments (that being the place where the costs of both wages/salaries and goods and services arise and where control ought to be exercised) but Cabinet consideration of the whole picture is important for deciding the policy to be followed by departments but driven from the centre.

d. At £8,340 million, simply running Government is big business. Ministers are in the "management" game whether they like it or not. This first run paints a disturbing picture of costs rising at an insupportable rate and in need of control. The roughness of the pilot run does not weaken the general message.



e. If costs are to be brought under control Ministers must use the annual scrutiny as an opportunity to question where the money goes on administration and ensure that officials are not merely monitoring but also controlling costs. BUT the regime is mainly for officials to devise and run for Ministers. That makes the job of the centre very important (see below).

f. Ministers collectively and individually need a cost control/cutting policy. I suggest that that should be the objective of the departmental investigations recommended in the Lord President's paper. It may be too late to affect Estimates for 1981/82 but Ministers should, I suggest, be seeking an out-turn which is less than Estimates. It is simply not good enough to regard the rate of inflation as the bench-mark of acceptability or to assume that overheads will decline as staff numbers come down.



g. If I may suggest it, the Lord President's report to Cabinet on the outcome of the departmental and CSD investigations should propose a policy both for the centre and for departments. It would be particularly helpful also if the CSD in its investigations identified a "best practice" Department from which others might learn. I also think it important that, once a policy has been declared (eg to hold the increase in the costs of goods and services to an agreed level), a senior CSD official should be charged to achieve it and that, similarly, each department should nominate a senior official to ensure that the targets are achieved.

Prime Minister's role in follow-up

5. The Cabinet paper recommends that departments and CSD should examine the costs critically with a view to a report to Cabinet before Easter.

6. I doubt whether it would be right for you to get drawn too far into such inquiries yourself. If you so wished, the right time for you to meet separately or together two or three Ministers, Permanent Secretaries and Establishment Officers (as you suggested when we last met) might be when the results of the CSD's work are available and you could rely on a more dependable brief than might be possible now.

7. Meanwhile, I believe that you would find it helpful to ask a Department to give you a "presentation" on how costs arise, are monitored and controlled on the ground.

8. Both in business and in government I have found "presentations" invaluable as a means of getting a feel for the problem at hand. The Department should be a large one



(perhaps DHSS) and those giving the presentation should be at key levels in the management chain - from the Permanent Secretary to the local manager. Let the humble Accommodation Officer and Stationery Clerk be included! Each would explain his responsibility in the area of cost control and how it is discharged.

The scrutiny in the wider context

9. The three essential points emerging from the scrutiny and other papers coming to you shortly* will probably be:

- a. Excellence in management (departmental or central) does not and will not happen by accident. Particular people need to be made unmistakably aware of their responsibilities - and given the data, scope and incentive to discharge them well.
- b. The leadership of the centre is of great importance. It needs not just specifying, but practising.
- c. The "allied service" (or "free good") system is the enemy of good management by departments.

10. I also think that the existing division of responsibility for common services between CSD, HMSO, COI and PSA inhibits effective control. I therefore hope that the "Common Services Agency" proposal I made last year can be examined after the CSD/Treasury question has been settled.

11. I am copying this to the Lord President and Sir Robert Armstrong.


Derek Rayner

20 January 1981

* My Report on repayment for Property Services; the Chancellor's paper on controlling expenditure; my paper on the management tasks of Ministers and their senior officials; and my notes to you on financial control (as illuminated by three of last year's scrutinies) and on management review.

PRIME MINISTER

The Lord President, Derek Rayner and Robert Armstrong will have a word with you tomorrow afternoon about Cabinet handling of the departmental running costs exercise.

The attached note from Derek Rayner suggests aims for the Cabinet discussion, and for your own involvement in any follow-up work.

David Wolfson is concerned that this annual scrutiny exercise may turn into an annual bureaucratic jamboree which consumes more resources than it will ever save. He has far more confidence in the scrutiny type approach as a means of saving costs, and believes that detailed overall analysis of programmes is not likely to lead to the elimination or severe cutback in individual functions which is the only way to achieve significant cost reductions.

As the Lord President says, the data offered in his present paper is rough and ready. Many of the more startling cost increases can be explained away. I am sure that the exercise has been valuable in forcing Ministers to press for explanations of such increases, and thereby to learn about departmental costs which might never otherwise have come to them. Derek argues that annual analyses of this kind of cost information is an essential management tool, and I am sure that an improved version of this exercise will be valuable. It would be better if it could be timed to link with the estimates cycle but you may like to bear in mind David Wolfson's cautionary thoughts.

20 January 1981

CONFIDENTIAL



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon The Lord Soames
CH GCMG GCVO CBE
Lord President of the Council
Whitehall
London SW1

20 January 1981

Dear Christopher,

C(81)5 - ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS MEMORANDUM

I think it is a pity that you have circulated to the Cabinet the comparisons of Departmental costs set out in the Annexes to C(81)5, at least in their present form. The raw statistical material was, of course, supplied by us to the CSD's detailed specification. If the CSD had discussed with us the comparisons they have sought to make on the basis of this material much time and money might have been saved. As it is, some at least of the comparisons are likely to mislead rather than inform the Cabinet.

In the first place, the costs you have included in your survey relate to less than 300 of the 30,000+ Civil Servants for whom I am responsible. Nearly 28,000 of my Civil Servants are members of the Northern Ireland Civil Service and serve in the Northern Ireland Departments. While C(81)5 acknowledges that they are excluded from the survey, it does not make it clear that 3,000 Northern Ireland Civil Servants in the NIO are also excluded. The only part of the NIO covered by the survey is the corps of less than 300 UK Civil Servants, and the staff costs in relation to them are bound to be higher than average. The NIO contains an unusually high proportion of senior staff (including two at Permanent Secretary level) virtually all of whom have to travel frequently by air between London and Belfast and many of whom are accommodated on detached duty in Northern Ireland. The figures also include the costs of support, travel, accommodation and, above all, security of a team of six Ministers, amortised over only 300 of the 30,000+ for whom they are responsible.

Finally I carry financial provision in my Estimates for a number of Civil Servants whose existence I never avow publicly. The figures, as has been made clear to the CSD, include their costs, but not their numbers. To this extent my costs per employee are heavily distorted.

/If these and

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- 2 -

If these and other distortions are eliminated the apparently extraordinary figures for the NIO in the diagrams attached to your paper are reduced much nearer to the average figures, and even in some cases below average levels.

Let us therefore have the figures examined carefully before anyone tries to draw conclusions from them.

I am copying this letter to the Prime Minister and the members of the Cabinet and to Sir Robert Armstrong.

Yours ever

Humphrey

CONFIDENTIAL

MR PATTISON

Departmental Costs : Prime Minister's Office

Some answers to questions:-

A.2.i. These figures include our salary based allowances.

A.2.ii. Overtime. These figures include 2 messengers who, because of incorrect coding, are listed as staff who draw overtime rather than staff who draw allowances in lieu of overtime. There is no duplication, but CSD will investigate and put straight. They also include 2 members of the Press Office who receive long hours gratuities and 3 members of the Press Office and 2 of the Correspondence Section who receive regular overtime.

A.2.vii. Messengers. The increase is due to pay rises - the delayed effect of the 1979 phased pay settlement and London Weighting from 1.4.80. The 1980/81 figure assumes a full complement.

B.3. The figures are for the correct heading (and have not slipped from B.2). They relate only to Post Office telephone operators. I think Henry James etc. is included at A.2.iv.

C. Removals. This figure relates to Excess Rent allowance, paid to No 10 staff who qualify for such allowances on permanent transfer terms.

D.i. Heating and Lighting. No 10's actual gas bill in 1979/80 was £2,240. Electricity is charged quarterly in respect of Nos 10, 11, 12 and Treasury Old Building; the actual 1979/80 bill for No 10 was £3,684. Our heating comes from the central Whitehall system and the element attributed to No 10 is £6,000.

Our Water bill is £17,446.

Furniture and Fittings. The actual figures in 1979/80 for No 10 were higher than the notional £5,000 shown, and were:

/Minor Purchases

Minor Purchases	£1,498
Repairs and Maintenance	<u>£7,802</u>
	£9,300

E. Office Services. The Transport. PSA figures are based on the number of GCS cars allocated and the use made of them. The capital costs of the new Daimlers are not included as such but the figures do include an element for depreciation.

The Stationery, Photocopying etc. Figures are notional costs based pro rata on those of the whole Department. Since HMSO have changed the basis on which they provide services it will be after 1981, before actual figures for No 10 can be provided.

Minor Administrative Expenses

The CSD's best effort, in the time available, to break these down is as follows:

	1978-79	1979-80	1980-81
Laundry	2217	2639	3000
Conference Teas, and Working Lunches	195	-	3000
Gifts by the Prime Minister	399	670	5000
Other	<u>8661</u>	<u>16332</u>	<u>9000</u>
	11,472	19,641	20,000

These figures are, it seems to me, too vague to be worth anything; although 'gifts' has to be watched.

CVP

16 January 1981



CONFIDENTIAL

MR PATTISON

"SPECIAL" COMMUNICATIONS COSTS

As agreed, I attach a note showing actual expenditure (ie the total bills sent to CSD for payment) in the FYs 78/79 and 79/80, expenditure to date in the FY 80/81 and estimated expenditure in the remainder of that FY.

2. In Estimates for the current FY, provision was made for £173,650 for capital expenditure and £185,035 for annual rentals. The former included sums of £11.5K and £131K respectively for police radio sets in No 10 cars and certain cryptographic equipment. The first sum will not now be taken up (the Metropolitan Police will meet the cost of these sets); the second is unlikely to be taken up (as MOD(PE), in spite of reminders over some time, seem inclined not to raise an account for equipments supplied 7-8 years ago). Provision was also made in this FY for £19.5K for construction of replacement cryptographic equipment for use on the Moscow Hot Line (the existing equipment having been obsolete when the Hot Line was set up 13 years ago). This will be taken up.
3. Under Estimates for annual rentals in this FY, provisions were made for an increase of nearly £15K in the cost of radio/cable circuits for the Moscow Hot Line (currently £65.5K) and for a 15% increase generally in UK and international circuit costs.

J L Wright

J L WRIGHT

13 January 1981

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COMMUNICATIONS COSTS

	<u>Annual Rentals</u> £	<u>Capital Expenditure</u> £	<u>Total (includes VAT)</u> £
a. 1978/79	109,333.56	7,896.49	117,230.05
b. 1979/80	146,140.01	12,344.23	158,484.24
c. 1980/81 (expenditure to 12.1.81)	107,019.84	5,983.38	113,003.38
d. 1980/81 (anticipated additional expenditure to end FY)	32,101.43	153,097.50	185,198.93

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Mike

The £54000 (for 1980/81)

increase is due to the new

a. The new budget, estimated originally at £45K

b. modifications in basement for secure refuge, estimated at £2,200

The two figures have been overtaken by inflation, hence the estimate of £54,000.

I understand, although cannot yet confirm, that we have kept well within the estimates.

It is important to know this & could perhaps find out as a matter of interest. The £18,000 is mostly the charges for security guards or the new

provided by the Treasury
in the details the CSD-

~~13/1~~
13/1

MR. WHITMORE

c. Mr. Peterson

Departmental Costs: Prime Minister's Office

Colin Peterson and I have been investigating the details of the summary figures for No. 10 expenses which I showed you yesterday. I attach a copy of the breakdown offered by CSD. There are 10 lines of the table which show cost increases of more than 20%.

The first two concern overtime and messengers' pay costs. For much of 1980/81, we have been operating well below complement with the messengers, and this would account for the overtime cost, but there should be a compensating saving on the standard pay costs. Mr. Peterson is looking into this.

Item B3 shows a 27% increase in "other agency charges". The main agency charge involved is levied by the Post Office for our telephone operators. There was a catching-up increase of 68% between 1978/79 and 1979/80, and I assume that the increase 1979/80 to 1980/81 is essentially for that, with some spill-over from the Henry James appointment package. If you think this needs further investigation, perhaps Mr. Peterson can look into it.

Under Section D1, most of the costs are notional. I do not think we should concern ourselves with equivalent market rents, which show the most substantial increase in cash terms. Mr. Peterson is looking into the heating and lighting item, to establish whether there is any identifiable precise figure for bills paid in respect of No. 10: given the Prime Minister's efforts to cut down on lighting and heating in her rooms, it would be useful to be able to show that any savings can be identified and are not simply lost in a notional allocation exercise. I am not inclined to fuss about the furniture and fittings item, which is probably again an allocation from total CSD costs.

The two most alarming items, at first sight, appear in Section E. Leslie Wright is to provide us with a breakdown on telecommunications. I understand that there is a figure of some 110,000 which has

/ appeared in the

?
? appeared in the estimates for successive years without ever being drawn down. If this is not likely to be brought to book in the current year, we will still be left with a large increase, but a more realistic one. Likewise, there is a special item in security. Most of the 54,000 increase is accounted for by the expenditure on the Bothy at Chequers, estimated at some 47,000. Mr. Rylands is providing details. The increases in postage costs under the same heading are a combination of increased rates and the volume of mail we now generate in reply to that attracted by the Prime Minister. I should be grateful if Mr. Peterson could add the printing and publications line to the items which he is investigating. Once again, this looks like a notional allocation from the total CSD estimate.

I think we should aim to put a note in to the Prime Minister's weekend box about this. She is scheduled to discuss Lord Soames' Cabinet paper with him and Derek Rayner next Tuesday, prior to Cabinet discussion on Thursday.

MPD

13 January 1981



MR PATTISON

MAD

Mr Priestley has asked me to send you the enclosed copy letter from Mrs Tanner. He has doubts about the validity of her comments on direct debitting. However, Mr Priestley thought that the Prime Minister might like to see the last three paragraphs in view of her interest in the Annual Scrutiny of Departmental Running Costs.

Lynne Holmes.

LYNNE HOLMES

13 January 1981

108 ...
Mrs M. Thatcher
R12112
Bristol.
B8.15.5.10 a
10.12.80.

Mrs M. Thatcher.
Dear Madam,

I know you are a very busy person, but enclosed is just one prime example of the waste of time, materials etc.

This has always enraged me, at one time we had a small post card with our number on, about 3" x 5" sufficient to remind one your licence money was due.

Invariably most people pay their licence at their local post office, so why all these enclosures.

No wonder things are so dear, as most of these women who are

employed sending out such trivia, are
then entitled to a good pension.

Its no good sending this to a lesser
person than yourself, as nothing is
ever done.

This is just one example, of the many
wasteful things which drop through
our letter boxes.

Move lower to your elbow on waste,
its time some-one pulled up the
purse strings.

Means test is a dirty word, but I
and my husband (who are pensioners)
think it should be applied to a
greater number of people draining the
country dry, we should like more, but
we in our small way have to
subsidise many people who really are
much better off.

I am

Yours faithfully

M. Tanner. (Mrs)

Naturally, you will think carefully before allowing anyone to raise payments against your account.

But the system has been most carefully designed by the banks to keep you, the customer, fully protected.

Direct debits must be made strictly within the terms of the instruction you have signed.

Should there be a change in the licence fee you will be notified of the new amount to be charged to your account before the debit is made.

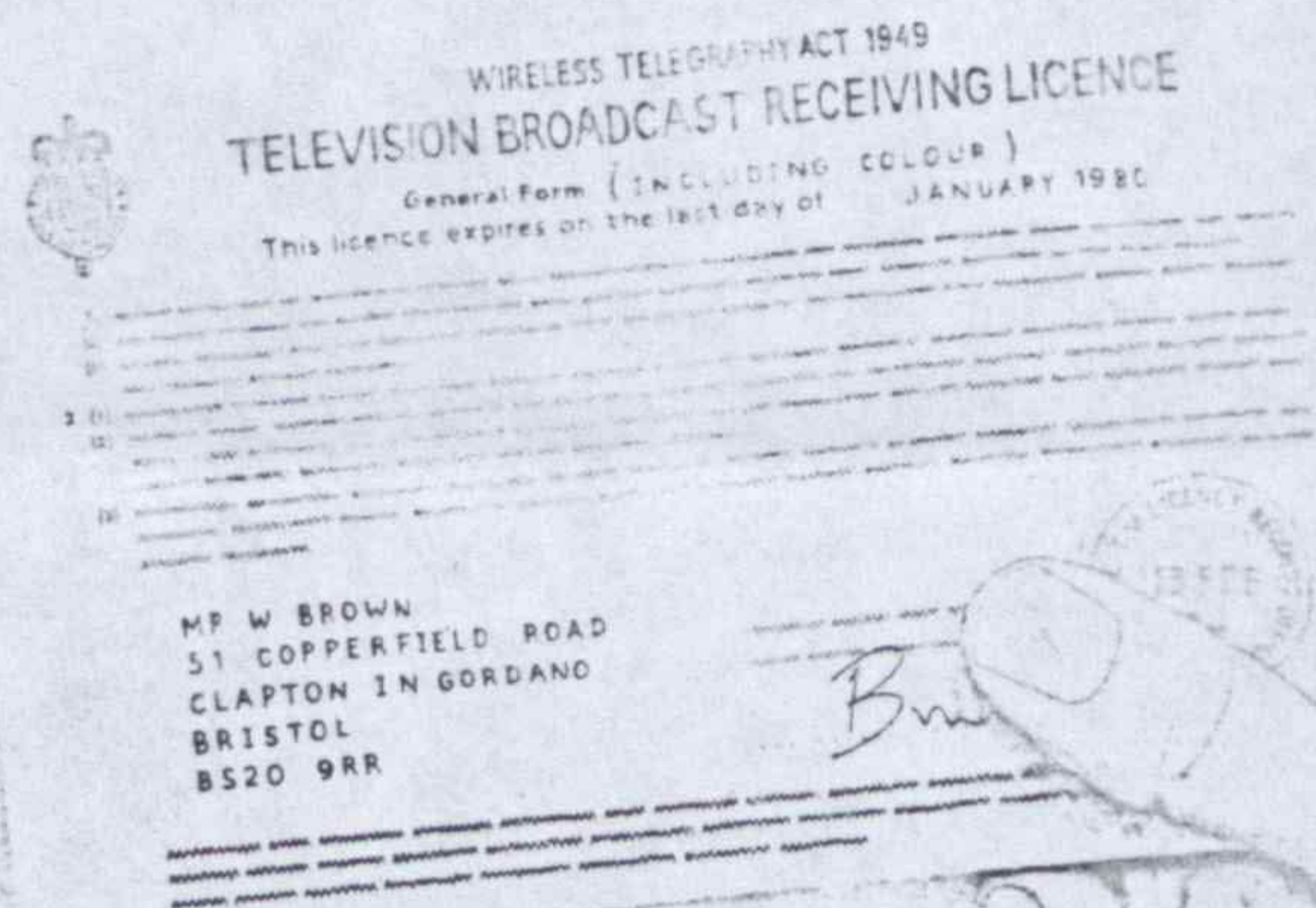
You can cancel the direct debit mandate at any time before your account has been charged, simply by writing to your bank and the National Television Licence Records Office.

You have one other very important protection ... the National Television Licence Records Office has given an indemnity which will enable your bank to reimburse you if a direct debit which does not conform to your instructions or to any advance notice of a change in licence fee is charged to your account.

BRL DD 254

WP472504 9/80

Direct Debiting a simple and convenient way to pay for your television licence



"705686 914040: 60401716"

3	8	2
---	---	---

M BROWN
or order
19

Standing Order
for payment of Television Licence

Date _____
To the Manager _____
Address _____

Please pay _____
Lloyds Bank

TELEVISION LICENCE REMINDER

National TV Licence Records Office, Bristol BS98 1TL

At the end of **JANUARY** the fee is £34.00
your COLOUR television licence expires.
or that prescribed at the time of application, but registered blind persons pay £1.25 less on production of the Local Authority's certificate.

If there is no change in your name or address or in the type of licence you need, you can renew your licence by any of the ways given on the back of the licence counterfoil. The licence will be validated and returned to you to keep. Please check that it is stamped and initialed. The counterfoil will be kept for official purposes.

If you have changed your name or address or have changed your seat from black and white to colour (or from colour to black and white), please refer to the notes on the back of the licence counterfoil.

If you renewed your licence, please ignore this reminder.

No more... licence bills,
form filling or
writing out cheques.

It is one of the easier ways of making payments. As with a standing order you give your bank a written instruction to meet payments as they fall due; but in this case the National Television Licence Records Office presents the payment which the bank deducts from your account.


Paying for your television licence by direct debit is a simpler and more convenient way of paying than by other methods. Direct debits, unlike standing orders, can be used where the amount varies and provide for continuity of payment even if the fee changes.

Instead of receiving a reminder each year you will automatically be sent a valid licence before the direct debit is presented to your bank for payment.

Hence, this method of payment ensures that your licence renewal is never overlooked.

If you have a Bank current account

- 1 Complete the mandate form below authorising direct debits to be made.
- 2 Return the completed form with your television licence reminder in the envelope provided.
- 3 We will pass it on to your bank, for your account to be debited in accordance with your instructions.
- 4 A licence will be sent to you.

 National Television Licence Records Office
BRISTOL BS98 1TL

Your name and full address

Postcode _____

Your Bank's name and full address

To: The Manager _____ Bank Ltd

Postcode _____

Instructions cannot be accepted to charge direct debits to a Deposit or Savings Account or a National Girobank Account.

Bank Account number

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Name of Account to be debited _____

Direct Debiting Mandate

BRL DD 254

I/We* authorise you until further notice in writing to charge to my/our* account with you a single amount of £12/£34* followed each year by an unspecified amount in respect of my/our* annual television licence fee on or immediately after

the 1st day of † _____

at the instance of NTVLRO by direct debit.

* Delete as appropriate

† Insert month following expiry month shown on reminder.

This mandate cancels all previous Standing Order/Direct Debiting Mandates in favour of the NTVLRO.

Signature/s _____

Date _____

After signature please detach and return this form with the reminder in the envelope provided.

Your prompt response will ensure the early despatch of your licence.



Sir Derek Rayner Jr

To see.

*cc Mr. Pattison
Mr. Allen*

CP.

pp... Civil Service

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

From the Private Secretary

CP
13.1.81

Clive Priestley Esq
Sir Derek Rayner's Office
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

13 January 1981

Dear Clive,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

We had a word about your letter of 8 January. The Lord President was most grateful to Sir Derek Rayner for responding so quickly to our request for comments on the papers for the Prime Minister and Cabinet.

I sent you on Friday copies of the minute and the draft paper which have gone to the Prime Minister. We have done our best to meet several of your points, but I am afraid that the Lord President - much as he felt there was force in what you said - was unable to meet the very important one which you have made on paragraph 6 of his minute (earlier version) and paragraphs 4, 6 and 9 of the draft paper.

Sir Derek Rayner suggested that the paper should recommend a policy for restricting cost increases in 1981-82 and specify acceptable levels for different goods and services. This is not now feasible. The construction of the Estimates for 1981-82 is now virtually complete, and they cannot be re-worked within the Chancellor's timetable. Nor have we any basis at present on which to propose new and lower figures for each department. Departmental Ministers, and the CSD, must first do the work outlined in the draft paper. The Lord President agrees entirely with Sir Derek when he says that lower levels of provision are the final result we should be aiming at. But in practice, we shall have to link this exercise with the PES survey plan for 1982-83, not the Estimates for 1981-82. As I said when we spoke, the difference here is more of timing than substance. The Lord President did not, at this stage, want to divert attention from the main thrust of the paper, but he is keen to see this idea explored more fully for his report to Cabinet before Easter.

You will see from paragraph 6 of the paper that we propose to seek supplementary information from departments. This is because we shall need to ensure that departments ask themselves some common questions as well as any special questions of their own. CSD officials are giving thought to the way in which these

common questions should be put, and we should find it particularly helpful to have the benefit of Sir Derek's experience on this matter. Richard Wilding's people will get in touch with your office as soon as preliminary ideas have been worked up.

We agree with your thought that we shall need to distill a policy from the results of our examination and launch a strong and co-ordinated drive to achieve its objectives. Perhaps machinery for this can be considered when we see more clearly what we want to do.

Finally, you asked about the CSD's own costs. These will be examined with particular care along with the rest and I will let you have answers to your question when this has been done.

Yours sincerely,

Jim Buckley.

J BUCKLEY

copying
very busy.



10 DOWNING STREET

Nike

BF 20/1/81

Thru arranged
for Wednesday

21st Jan.

at 1500. They
credit merge

Tuesday.

ES.

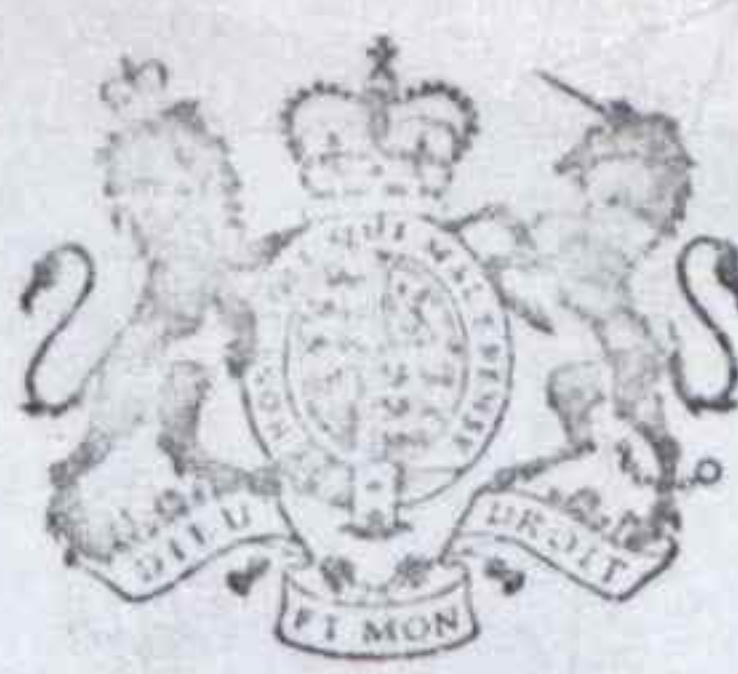
13/1

B/F to CS

7/1/81

REPRODUCED

no 13



10 DOWNING STREET

From the Private Secretary

13 January 1981

BF 21.1.81

The Prime Minister has seen the draft Cabinet paper on Departmental running costs, forwarded by the Lord President under cover of his minute of 9 January.

She would like to discuss this with the Lord President and Sir Derek Rayner before it is taken in Cabinet. Caroline Stephens will be in touch with you to arrange a time.

I mentioned to you on the telephone that paragraph 8 of the paper could usefully record that the Prime Minister has already published the broad Departmental totals in two Parliamentary Answers before the Recess. Subject to this point, she is content that the paper should be circulated before the weekend.

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

M. A. PATTISON

Jim Buckley Esq
Lord President's Office

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PRIME MINISTER

We will arrange for the Lord President and Derek Rayner to come in for a discussion on Departmental running costs. This will have to be early next week, as Derek is in Canada, and Lord Soames is out of London for most of this week.

Lord Soames would like to ensure that colleagues have plenty of time to go through the paper before next week's Cabinet. He would like to circulate it on Thursday. Are you content that he should issue the paper in its present form, and that your meeting next week should be about how to follow up the questions raised by it - both in the Cabinet discussion and in dealings with individual Ministers afterwards?

I have put a note against para 8 MS

Yes - but please amend in line with Nick's note against para 8 we have already published Times

12 January 1981

RESTRICTED



Will discuss with
L.P. o Derek Rayner
re

PRIME MINISTER

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

... I attach the draft of a Cabinet paper on this, and would be glad to know if you think it is on the right lines.

There is, inevitably, a great mass of figures. Some did not reach us until the end of November; many were obscure and had to be clarified by subsequent enquiry; and I have only just received the last of the Ministerial commentaries. The figures are unreliable where rough attributions have had to be made, and it may well be that some departments have included items which others have left out. All we have been able to do so far is to collate the results. They need further probing and analysis. But at this stage, and in order to get the exercise going, all I can do is circulate the lot.

The broad totals, however, are probably not far out. On one view of the matter, they are about what one would expect. The large rise in wages and salaries is accounted for by the fact that the cost in 1980-81 included 11% left over from the staging of the last government's 1979 pay award as well as the 1980 award itself. For the rest, the increases in costs were broadly in line with the rises in the prices for the goods and services in question; the note by officials brings out how heavily the costs of central government administration are affected by rises in the prices charged by the nationalised industries (posts, telephones, agency charges, rail travel, heating).

Plainly, however, we cannot be content simply to accept the effects of inflation. The figures, as Derek Rayner truly points out, are enormous by any standards. The rates of increase are very high. And the variations between departments are so wide that one is bound to ask whether all this expenditure is under adequate control. They underline very sharply, in my opinion, the need for departmental Ministers to concern themselves personally with the costs of their departments, and I cannot say that I was reassured by the tone of some of their covering letters. I hope and imagine that you will wish to rub this point in at Cabinet.

RESTRICTED

I suggest, however, that the discussion should be in general terms at this stage. We need to examine two questions. The first is whether the figures suggest the existence of types of expenditure (travel might be an example) over which control, including the efficacy of cash limits, needs to be improved across the Service as a whole. The second is whether they suggest that particular departments are controlling too loosely their expenditure either as a whole or in part. In neither case can the answer be deduced just from the raw figures. To take a domestic example, the CSD's own figures for personnel overheads and office services are high. But if one takes out the costs of No. 10 and the expenditure of the Civil Service Commission on such things as advertising and candidates' travelling expenses, personnel overheads come down from £871 per employee to £594 and office services from £2316 to £1803.

✓ I understand that you would like to take a hand yourself in probing the figures, and I greatly welcome the idea. But I think you will agree that some further analysis is needed in order to identify the real targets (as opposed to those figures for which scrutiny provides a reasonable and unavoidable explanation). That is why the paper proposes as the first steps:-

- (a) that Ministers should compare their figures with those for other departments and investigate in particular those of their costs which look comparatively high;
- (b) that my Department should investigate Service-wide the major causes of rising costs and more striking departmental variations, and report again in three months' time.

A copy of this minute and its enclosure goes to Geoffrey Howe and to Derek Rayner.

S.

SOAMES

9 January 1981

DRAFT

C(81): ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Memorandum by the Lord President of the Council

Introduction

Following our discussion in October 1979 (CC(79)16th Conclusions) Sir Derek Rayner wrote advising Ministers how to examine the cost of running their departments. The results of a first pilot run have been collated and, together with a commentary by officials, are at the Annex. I regret the length of the Annex, but in this first instance there is no alternative.

Main features and further action now required

2. Total cost of Government departments not including the Northern Ireland Civil Service in 1979-80 was £6,680m. The total Estimates provision for 1980-81 was £8,340m. These are very large sums of money which deserve all our attention.
3. The largest single element is wages and salaries which account for 60% of the total, £5,035m in 1980-81. This was an estimated increase of 24% compared with 1979-80, for reasons familiar to us. The 1980 pay awards were kept within the 14% cash limit factor by means of manpower reductions and minor staging but we also had to allow for the full effect of the major staging of the previous government's 1979 pay awards. Cost increases were large in the other areas of expenditure: personnel overheads and accommodation costs up 21%, and office and other services up 32%.
4. Overall, expenditure was estimated to rise by 25% in 1980-81. Excluding the distorting effect of the 1979 pay staging, the estimated increase was about 18%, in line with the general level of inflation. This is not satisfactory. A great deal of money is at stake; we must examine these figures carefully and make savings wherever they can be found.

5. A striking feature of the figures is the extreme variation between departments. Some of this may well be due to inaccuracies in the figures, but high levels of cost per employee, and large increases in cost, if they cannot be satisfactorily explained, must be grappled with.

6. Colleagues will wish to investigate the figures for their departments, with particular attention to those which seem disproportionately high. CSD officials will also examine the figures, in consultation when appropriate with the Treasury, and will seek supplementary information from departments in order to reach general conclusions and draw comparisons across the Service. They will get in touch with departments for this purpose in the course of the week following our discussion. I propose that departments should let the CSD know the result of their investigation by the end of February, and that I should present a collective account to Cabinet before Easter.

Future action

7. The exercise has proved its value by raising some very important questions. To confirm its value as a tool of management, I think it should be repeated in 1981. As the note by officials points out, there are technical questions to be ironed out before the next round. I propose to set up a small working group of officials to look into this urgently, in consultation with Sir Derek Rayner. They will also need to consider the timing of departmental returns for the next round so that the exercise can be better co-ordinated with the PES and Estimates cycle.

Publication

8. We will need to discuss whether to publish the figures, globally and departmentally, bearing in mind that they are likely to be extracted from us in any case by question and answer. But colleagues may feel we could reasonably delay at least until after the programme of departmental investigations and the further report to Cabinet I have proposed.

*you
already
have published
global figures
- in answer to
R Howell.*

*MS
2 shouldn't the paper say so?*

Recommendations

9. I invite colleagues to agree that:
- a. departments and the CSD (consulting the Treasury where appropriate) should investigate the figures critically, looking particularly at areas where they are high and, where there is no compelling reason, ensure that action is taken to bring costs under greater control;
 - b. I should report to Cabinet before Easter on these investigations;
 - c. a working group of officials should look into outstanding technical questions in time for the next round in consultation with Sir Derek Rayner;
 - d. a decision should be taken at the next discussion of this matter whether the detailed figures from the 1980 review should be published.

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ANNUAL SCRUTINY OF DEPARTMENTAL COSTS: NOTE BY OFFICIALS

Introduction

In the autumn of 1979 Cabinet decided that departmental Ministers should scrutinise the staff costs and overheads of their departments, and that an annual statement of the cost of government should be prepared by CSD. Sir Derek Rayner wrote to Ministers on 22 February with advice on how to proceed and on 22 April the Minister of State, Civil Service Department, wrote confirming that the return for each Department (excluding Trading Funds) should be set out in the form annexed to Sir Derek Rayner's letter. This was to be accompanied by a commentary summarising the nature of the scrutiny which had been carried out and the consequent action which it had been decided to take, together with any general observations on the exercise.

2. Returns were submitted by all departments in the form proposed. For the purpose of this paper the numerical data contained in the returns has been summarised as follows:

- Diagram A: Expenditure by departments in 1980-81
- Diagram B: Breakdown of expenditure in 1980-81
- Diagrams C (i)-(vii): Major items of expenditure and total expenditure by department, showing % increase in costs between 1979-80 and 1980-81 and cost per employee in 1980-81

Annex A: A consolidated statement of the cost of central government in 1978-79, 1979-80 and 1980-81, with a breakdown into the major items.

Annex B: A statement of each department's expenditure in 1980-81 for each major item and in total.

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Annex C: A statement of each department's expenditure for each major item in total, and per permanent employee, for 1978-79, 1979-80 and 1980-81, showing the change in expenditure between 1979-80 and 1980-81.

Price and volume basis of figures

3. Outturn figures were used for 1978-79, and forecast outturn figures for 1979-80. However, voted provision (also at outturn prices) was used for 1980-81, so the figures for that year are not directly comparable with those for 1979-80. Since Votes are treated as cash limits which cannot be exceeded, actual expenditure in 1980-81 may be expected to have been overstated by something of the order of 2%. There may also be offsetting increases and decreases between individual items of expenditure in 1980-81. Notional costs were included for each year at the appropriate price level.

Staff numbers

4. The figures for 1978-79 and 1979-80 are the average numbers of permanent staff in post in those years; the 1980-81 total is that underlying the original Estimates, less the savings from the 2½% cash limit squeeze. These figures include industrial and non-industrial civil servants, but also some 40,000 staff locally engaged overseas by the Ministry of Defence and Foreign and Commonwealth Office (not counted as civil servants). Some 33,000 civil servants who work in Trading Funds - Royal Ordnance Factories, Property Services Agency Supplies, the Royal Mint and Her Majesty's Stationery Office - (1979-80 and 1980-81 only) are excluded from the figures, as are casual staff. Over the years covered by the returns, average staff numbers fell from 755,000 in 1978-79, to 735,000 in 1979-80 and to 721,000 in 1980-81.

Total cost

5. On the basis of the figures provided, the total cost of running central government departments rose by 25% between 1979-80 and 1980-81, from £6,679 million to £8,336 million. These figures differ from those in published Estimates (which were used as the basis for the

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exhibition at No 10 Downing Street in early December on the cost of the Civil Service) mainly because of the inclusion of notional costs for the pensions of serving staff and for the rental value of Crown property. Cash expenditure accounts for 87% of the total.

By contrast, the overall rate of inflation between the first 6 months of 1979-80 and 1980-81, as measured by the GDP deflator, was 18%.

6. The shares of total cost accounted for by the larger departments is shown in Diagram A. On the basis of calculation used in this year's exercise, the Ministry of Defence accounts for about one quarter of the total, and, together with the next two largest departments, DHSS and Inland Revenue, for one half.

7. The major items of cost maintained a very similar relationship to total costs in both years. The 1980-81 position is shown in Diagram B. In that year, wages and salaries made up 60% of total expenditure, accommodation costs 7%, office services 6% and other expenditure 14%. Notional costs made up 13% of the total.

8. The total cost per permanent employee rose from about £9,000 in 1979-80 to £11,500 in 1980-81. The variation in cost increase and cost per employee between departments is shown in Diagram C(i).

Wages and salaries

9. Wages and salaries comprise the cost of wages, salaries, overtime payments and employers' National Insurance contributions for permanent staff (as defined in paragraph 4), period appointees and casuals, and Ministerial salaries. Over the Civil Service as a whole they represent about 60% of total expenditure. In some departments the proportion is as high as 88%, in no department is it less than 41%.

10. Costs increased by 24%, from £4,049 million to £5,035 million, between 1979-80 and 1980-81. Of this, 11% was caused by the built-in effect of the major staging of the April 1979 pay award, offset by a small reduction in volume, and 14% by the cash limit increase in

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1980-81 (the higher pay settlements being offset by some staging for non-industrials, and a $2\frac{1}{2}\%$ additional volume squeeze.

By comparison, the New Earnings Survey showed a rise in earnings for all non-manuals of 25.1% between April 1979 and April 1980, and of 21.3% for all employees. In some of those departments where there was a net growth in staff numbers between the two years, the percentage rise was in excess of 30%.

11. The notional cost of the pensions of serving staff was based on a standard of 19% of the wages and salaries bill for non-industrials and 16% for industrials; (this excludes National Insurance, overtime and payments to casual staff). The resultant figure is 9% of total expenditure.

12. Taking cash and notional expenditure together, the average cost of all wages and salaries and pensions per permanent employee rose from £6,375 in 1979-80 to £8,080 in 1980-81. The variation between departments in cost increase and cost per employee is shown in Diagram C(ii).

Personnel overheads

13. These overheads (travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training) accounted for 3% of total expenditure, and showed an increase in cost of 21% between 1979-80 and 1980-81. The average cost per permanent employee rose from £194 to £236 between these years. The variation between departments in cost increase and cost per employee is shown in Diagram C(iii).

14. Two-thirds of this expenditure is represented by travelling and subsistence costs of staff on official duty. The increase in cost between 1979-80 and 1980-81 is in line with the increase in the retail price index between October 1979 and October 1980 of 24.8% for fares and 16.2% for meals out. The mileage allowance for cars at the public transport rate has risen from 7.0p a mile in April 1979 by 37% to 9.6p a mile currently. The other aspects of expenditure

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under this heading constitute only a small part of departments' budgets and show significant fluctuations within departments from year to year.

Accommodation costs

15. These costs consist of rents, rates, heating, lighting, utilities, furniture and fittings, borne by the PSA on an Allied Service basis except for rates which are the responsibility of RGPD who notified them direct to departments.* Across the Civil Service expenditure exclusive of rents represents about 7% of total expenditure. An equivalent market rental value was attributed to both Crown and leased property; this adds a further 4% of total expenditure in both of these years. Taken together these cost elements show an increase of 21% between 1979-80 and 1980-81. By comparison, there were price increases between the two years of nearly 27% in general rates and water charges by local authorities, and 30% in heating and lighting.

16. The cost of accommodation per permanent employee rose from £1,060 in 1979-80 to £1,306 in 1980-81. The distribution by department of cost increases and cost per employee is shown in Diagram C(iv) but because of the method used to allocate costs, any figures for individual departments must be regarded with caution.

Office services

17. Together these services make up 5-6% of total expenditure. The increase in cost between 1979-80 and 1980-81 was 32%, with the cost per permanent employee rising from £495 to £665. The distribution by department of cost increases and cost per employee is shown in Diagram C(v). The main items are as follows:

* All accommodation costs apart from equivalent market rents and rates on headquarters buildings and large regional offices were allocated to departments on a unit rate basis derived from total expenditure by the PSA on the Civil Estate as a whole. (PSA did not provide comparable figures for 1978-79 because of a change in the method of measuring accommodation space). Average market rents which reflect outside market rent levels were derived on a location basis (3 rates for London plus a Provisional rate). As fore-warned by the PSA, the unit rate principle for Other Costs resulted from inconsistencies when applied to individual departments and could not, therefore, reflect economies in costs to some extent under Departments' own control (eg heating and lighting). Provision of actual costs would involve considerable changes in the PSA's accounting and costing systems, which are geared to the task of total management of the Civil Estate and not to detailed breakdown of costs of Departments. For 1981-82, refinements to Average Market Rents and rates are being pursued, these costs representing from two-thirds to three-quarters of the total accommodation costs: for the longer term, any changes must be consistent with decisions on a possible system of repayment for PSA Services.

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- a. Postage: postage has shown an increase as a result of higher postage rates, including the "composite rate" charged by the Post Office for official paid envelopes, which rose by 38% from 8.4p in April 1979 to 11.5p at present. The introduction of public postal methods will ensure that costs accurately reflect actual rates of usage of 1st and 2nd class mail.
- b. Printing and publications: in 1978-79 and 1979-80 HMSO incurred these costs on an allied service basis, and departments' estimates provision for 1980-81 is not directly comparable, particularly since it includes VAT for the first time. HMSO estimate that between September 1979 and September 1980 stationery unit costs rose by 17.6%; volume provision for 1980-81 was less than that for the previous year.
- c. Telecommunications: the rise in the current year is caused mainly by increased Post Office charges. For example, a 4 minute standard rate local call increased from 3p in 1979 to 4p now, a rise of $\frac{1}{3}$ rd. However, the comparison was distorted by the slippage of telephone accounts following industrial action in the Post Office during 1979-80 which led to an understating of the cost in that year.
- d. Publicity and advertising: this includes COI expenditure on behalf of other departments. Some departments reported a reduction in advertising during 1979-80 because of the recruitment ban.
- e. Administrative computers: this cost was borne by the Central Computer and Telecommunications Agency on an allied service basis in 1978-79 and 1979-80, but has now been transferred to repayment.

Other services

18. The cost of services provided by the Post Office and other agencies rose between 1979-80 and 1980-81 from 7% to 8% of total expenditure; there has been an increase of 32% in costs. The cost per permanent employee rose from £649 to £874 between these years. The distribution by department of cost increases and cost per employee is shown in Diagram C(vi).

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19. As well as providing Giro facilities, the Post Office acts as an agency for the payment of benefits, the sale of national savings and the collection of Vehicle Excise Duty, under financial arrangements agreed by the Treasury based on estimates of Post Office costs and volume changes, which are subsequently adjusted. In the case of the Department of Health and Social Security, Post Office agency charges constitutes its second largest area of expenditure. In the Department of National Savings they account for one-third of its annual budget.

20. Other agency services include contract cleaning, agency typists, security services, telephone operators and computer consultants. The use of these services, as opposed to in-house staff, depends on their relative cost and efficiency.

Other non-office expenditure

21. The cost of land, vehicles, plant and equipment has remained at 3% of total expenditure over the last two years, during which time there has been a 24% rise in costs. The distribution by department of cost increases is shown in Diagram C(viii); cost per employee is not appropriate to this item of expenditure.

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Departmental comments on the exercise

22. Most Ministers - particularly those responsible for the major departments - considered the exercise useful and one which, by giving a broad-brush illustration of expenditure and the deployment of resources, adds to the climate of cost consciousness. However, in the case of some of the smaller departments there were doubts whether their knowledge of costs or value for money had been improved, and concern about the heavy demand that compiling the figures made on their resources. A number of departments, of all sizes, commented that the exercise was an extension of the wide-ranging reviews of administrative costs that they already carried out at intervals.

23. There was general agreement that the greatest benefit from the exercise lay in it being a starting point for further analysis, with departmental aggregates being broken down into organisational units for purposes of comparison and in order to foster cost-consciousness down the management line. The useful "burrowing beneath the surface" which the figures had prompted was producing additional management information which was expected to lead to further economies and increased general efficiency in departments. However, with a high proportion of total expenditure on wages and salaries, the scope for savings lay mainly in reductions in staff numbers, and to a lesser extent in detailed housekeeping.

24. Although Ministers endorsed the value of the exercise generally, they pointed out that comparing cash expenditure over three years made it difficult to separate increases from the effects of inflation from volume changes, and argued for a comparison at constant prices. This is not, of course, to deny the need for regular monitoring of cash costs, a point which Sir Derek emphasized in setting up the exercise.

25. Some Ministers also urged caution in making comparisons between years and drawing conclusions from the figures. Since Estimates reflect a cash limit rather than an expected budget, comparisons between the figures for 1980-81 and the actual outturn for 1979-80 suggest a larger percentage difference than will eventually be the case.

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26. Ministers were in general agreement that the exercise needed to be reviewed before the scrutiny was repeated. Some were critical of the coverage of this year's exercise. Defence Ministers, in particular, were extremely doubtful about the value of including all their civilian staff when many of these were viewed as support staff for the Armed Forces rather than as part of the administrative cost of central government. The Home Secretary thought that the omission of costs incurred by fringe bodies was significant. Generally, it was accepted that further refinement would be necessary for the future. In particular, departments made the point that accommodation costs based on unit-rates should be viewed as approximations. While they thought that those for rents were broadly consistent with their own, they expressed particular reservations about the application of the unit rate principle to other items, such as heating and lighting. They considered that this system of attributing costs failed to recognise that individual departments could to some extent control their own consumption by ensuring that staff used these facilities in an economic way. Generally, it was thought that PSA needed to refine its system before a further exercise of this type was carried out.

27. In a small number of cases, departments included the cost of this year's exercise in their commentaries; the sums ranged from £3,000 for the Department of Education and Science to £60,000 for the Chancellor of the Exchequer's Departments.

Suggested improvements to the exercise

28. If the exercise is to be repeated there are a number of points which should be reviewed urgently by officials, before the exercise is repeated. In particular:

a. can the returns, and the processes of compiling them, be simplified?

b. how can the need to make comparisons in both cash and volume terms be met with minimum complication? Could cash percentage increases simply be set against the relevant RPI increases over the same period?

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c. how can comparability be ensured between one year and another (comparisons between forecast outturn for 1979-80 and estimates for 1980-81 caused difficulty on the first round)?

In addition, it has been agreed that CSD and MOD Ministers should consider with Sir Derek Rayner on what basis figures should be provided for the Ministry of Defence, where civilian staff work side by side with the military.

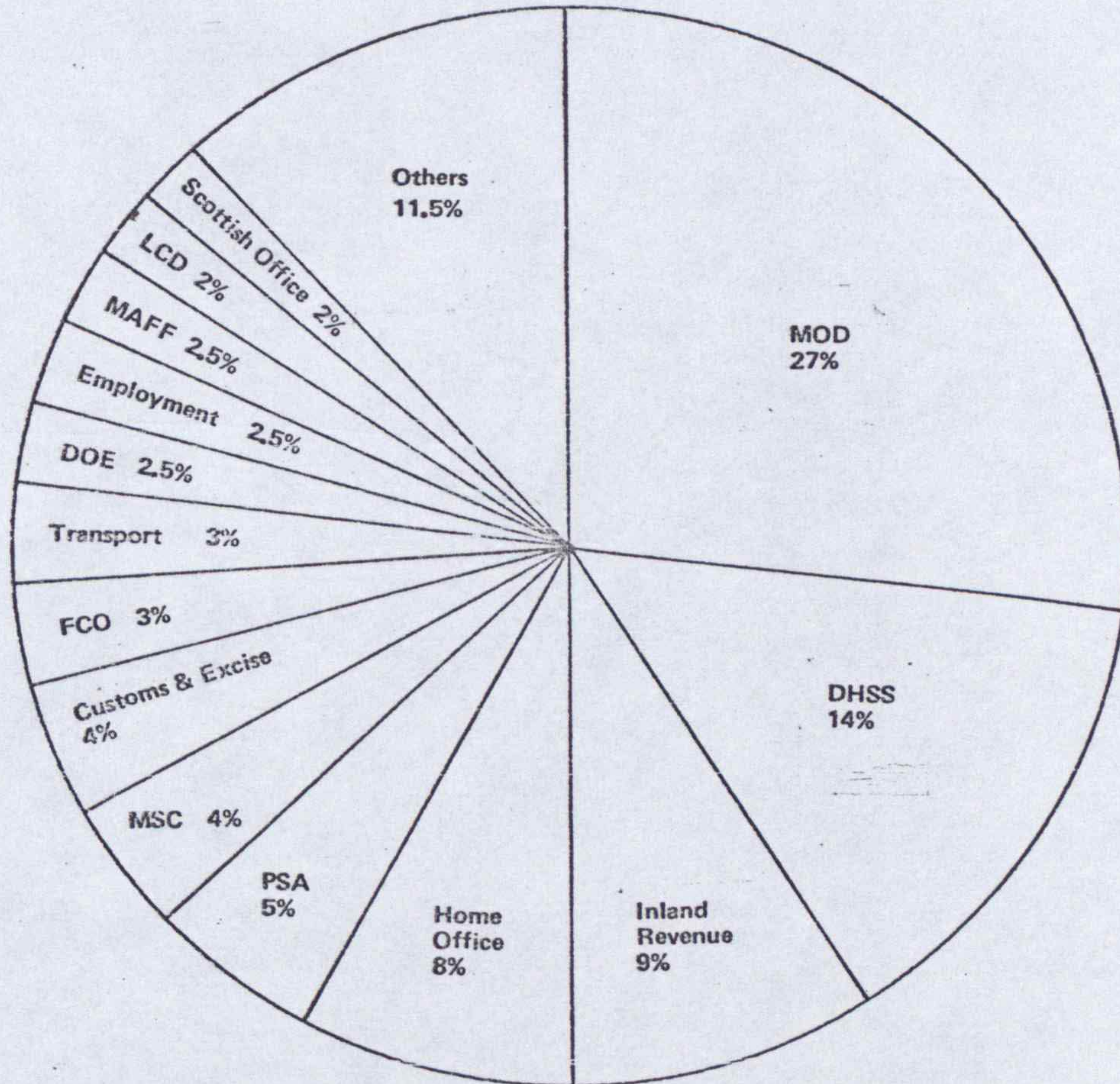
29. ~~In the slightly longer term,~~ Departments need to consider, with advice from CSD if required, how best to break down their costs by organisational unit in order to identify expensive and possibly wasteful areas of expenditure; and how their systems of financial information might, where necessary, be improved to make cost information easier to identify and collate, in a way which is compatible with the information required for PES and Estimates.

The CSD and the Treasury will be in touch with departments about this.

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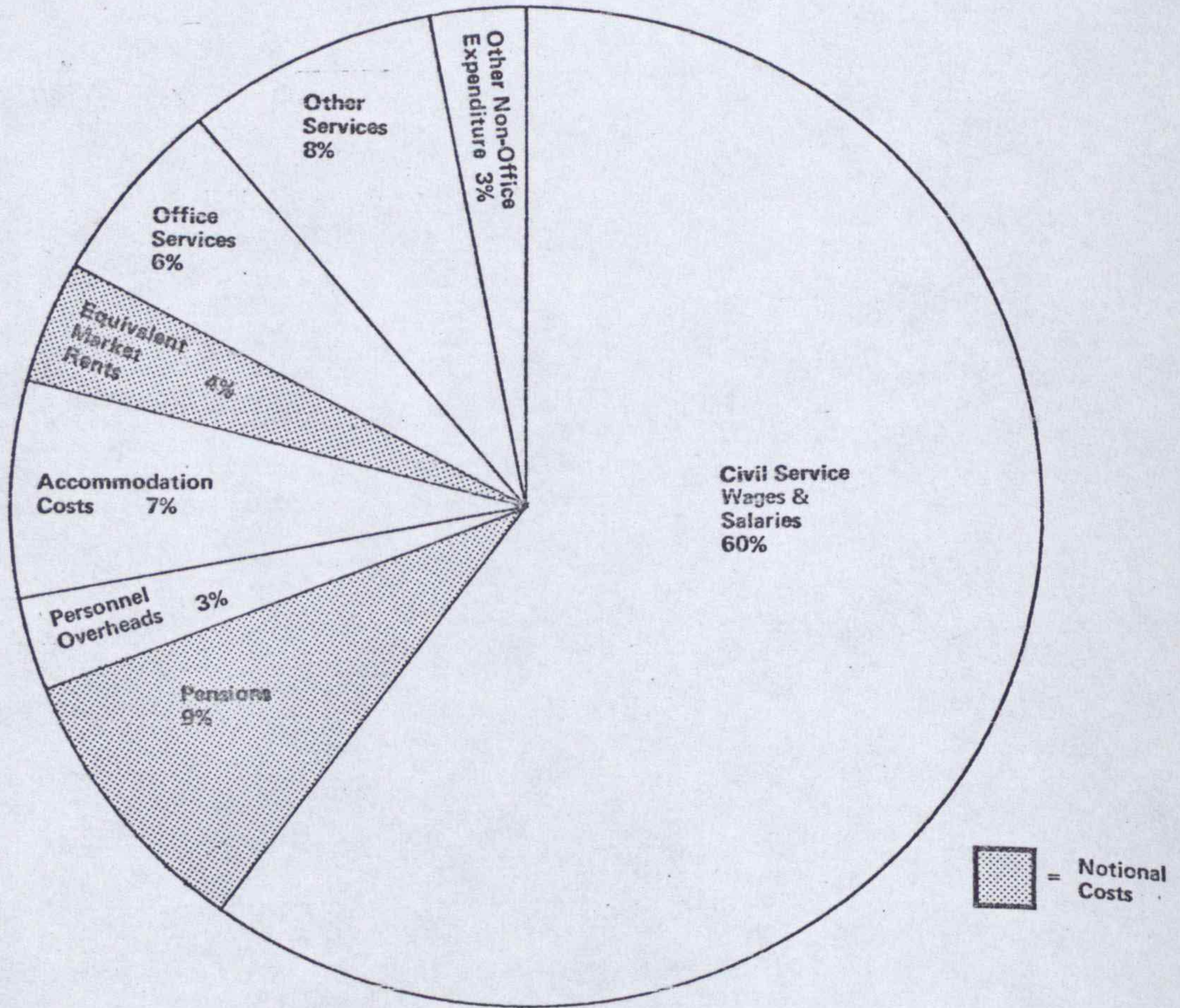
EXPENDITURE BY DEPARTMENTS

Total = £8336 million



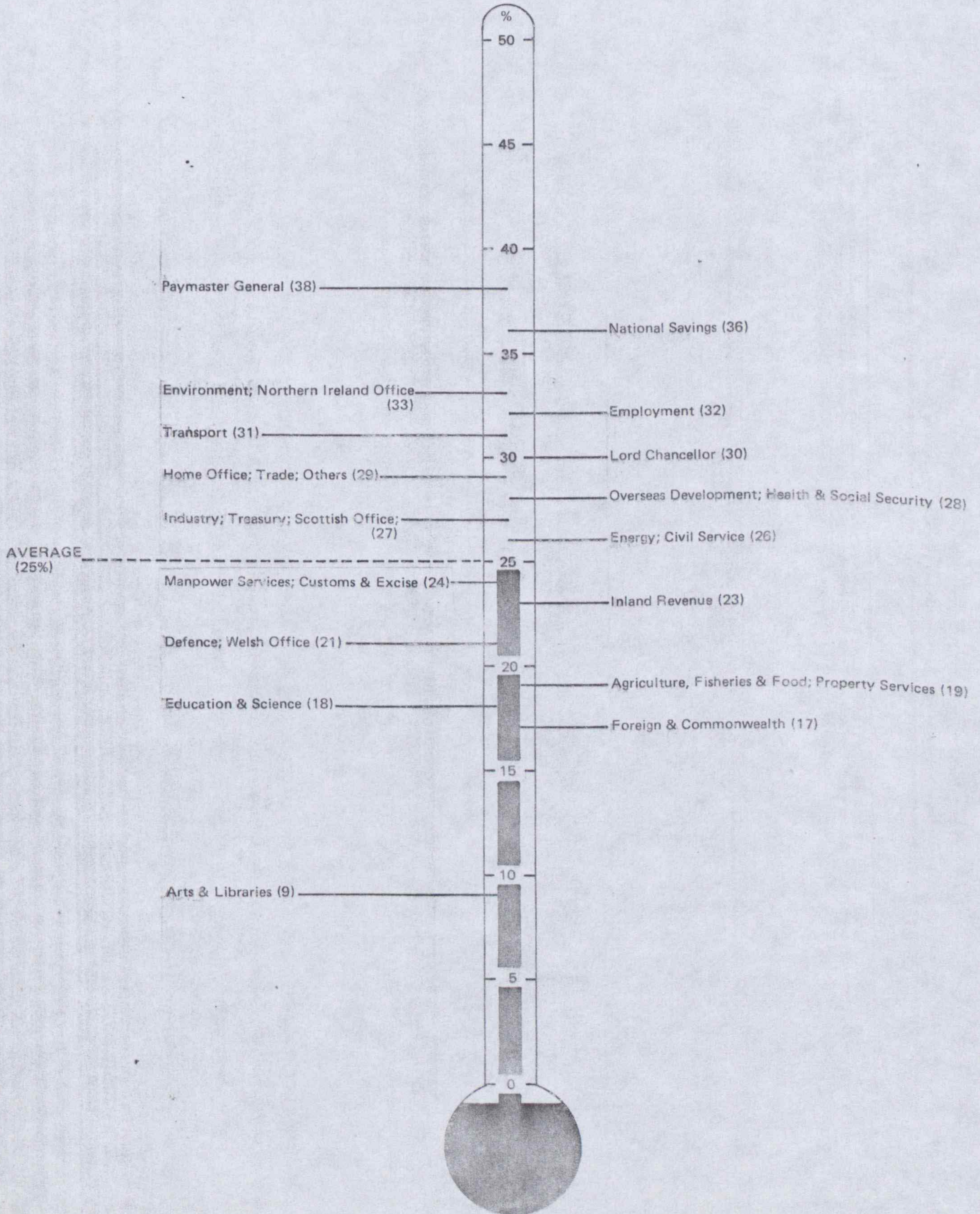
Others = Departments with expenditure of less than £150 million

BREAKDOWN OF RUNNING COSTS
IN 1980-81



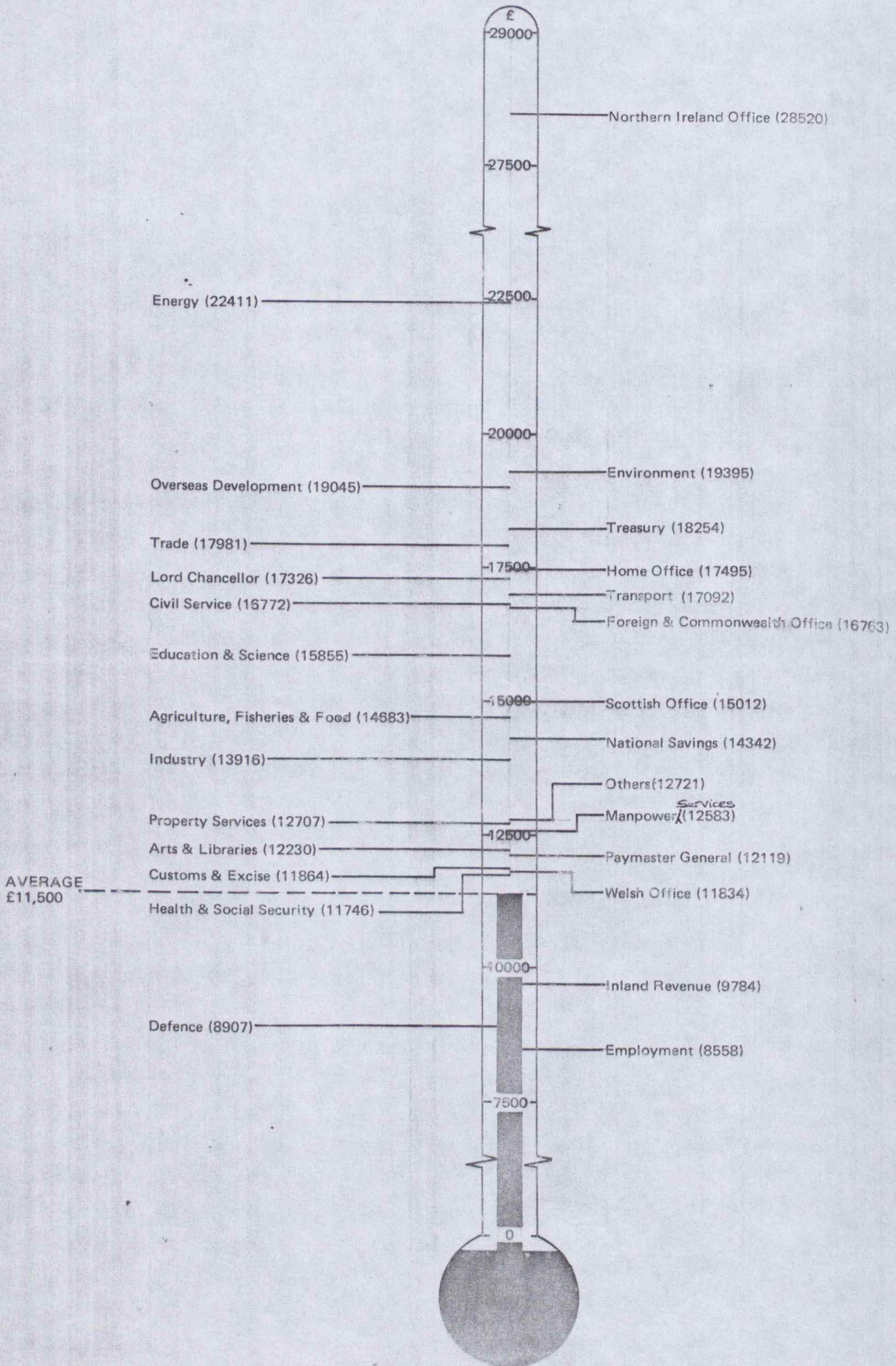
TOTAL EXPENDITURE

(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



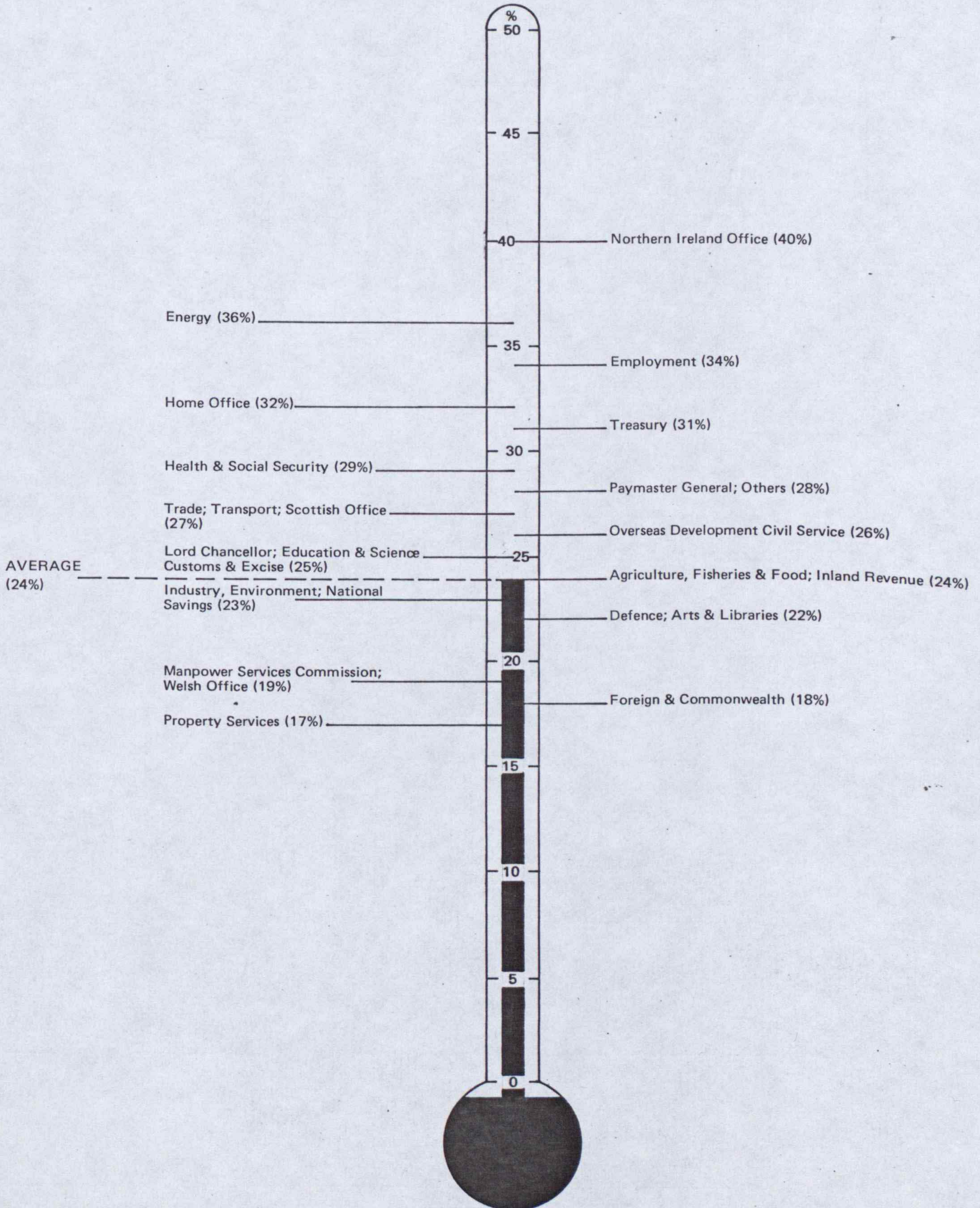
TOTAL EXPENDITURE

(b) COST PER EMPLOYEE 1980-81
Average cost = £11,500



WAGES AND SALARIES
(including notional cost of pensions)

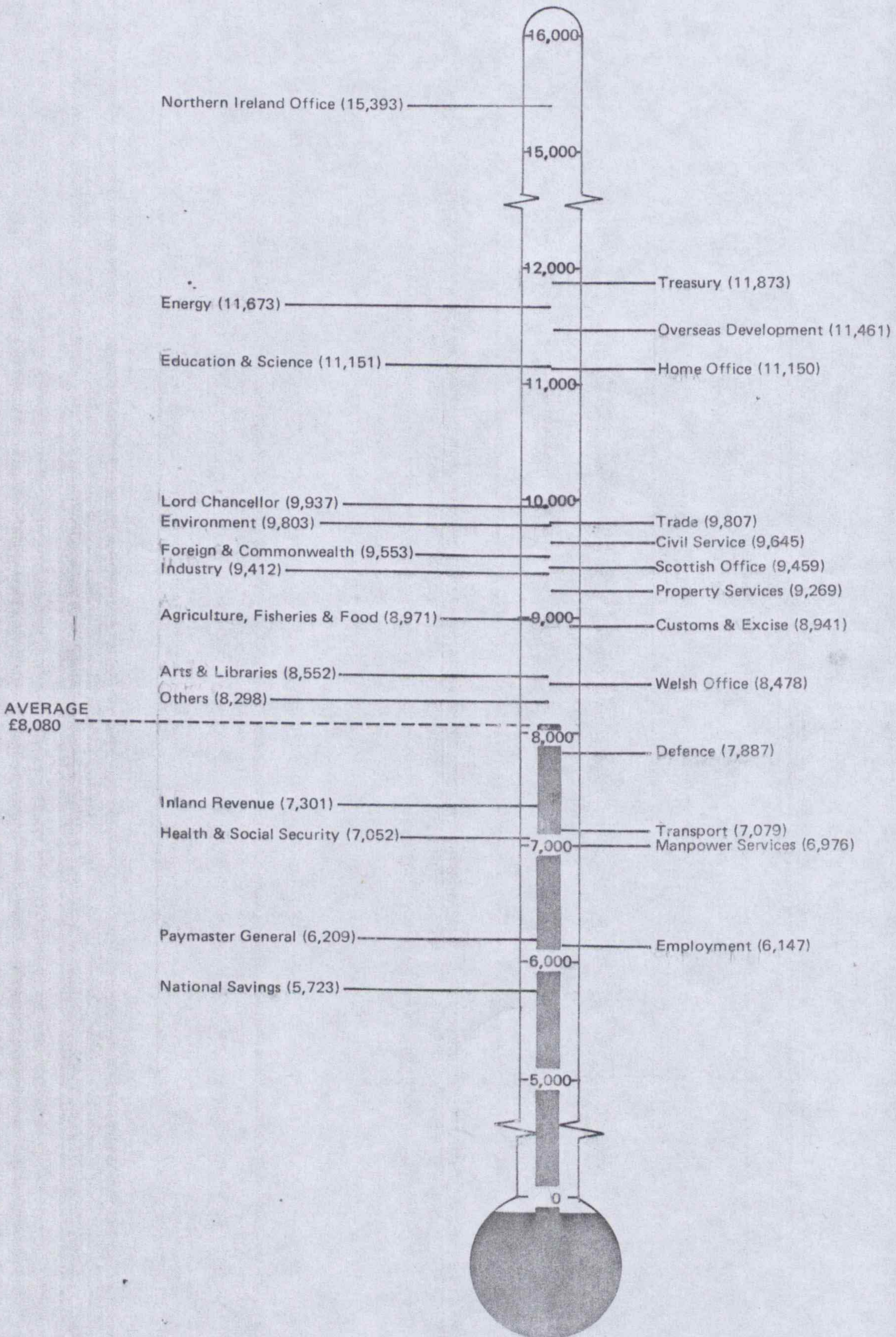
(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



WAGES AND SALARIES

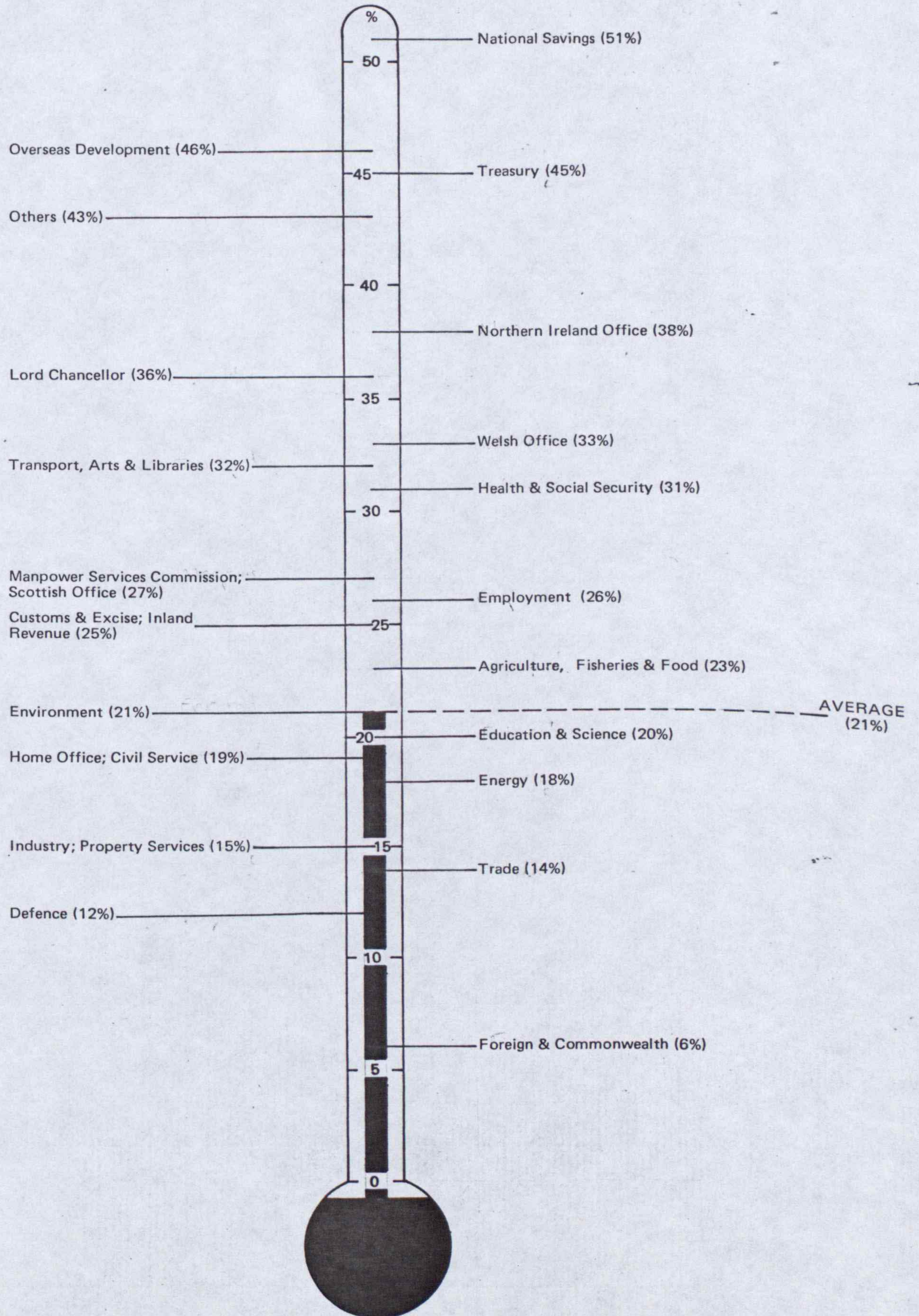
(b) COST PER EMPLOYEE 1980-81

Average cost = £8,080



PERSONNEL OVERHEADS

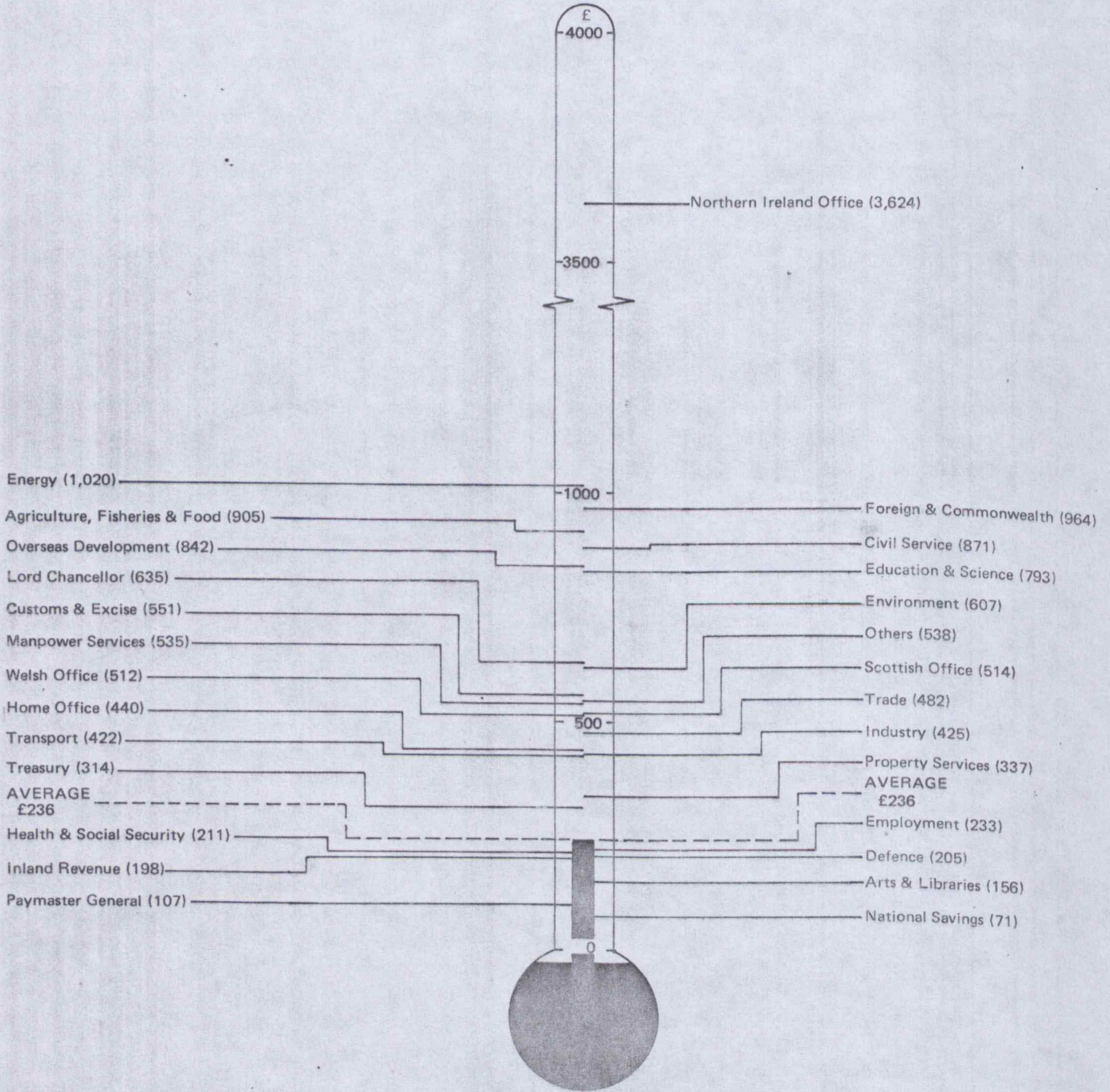
(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



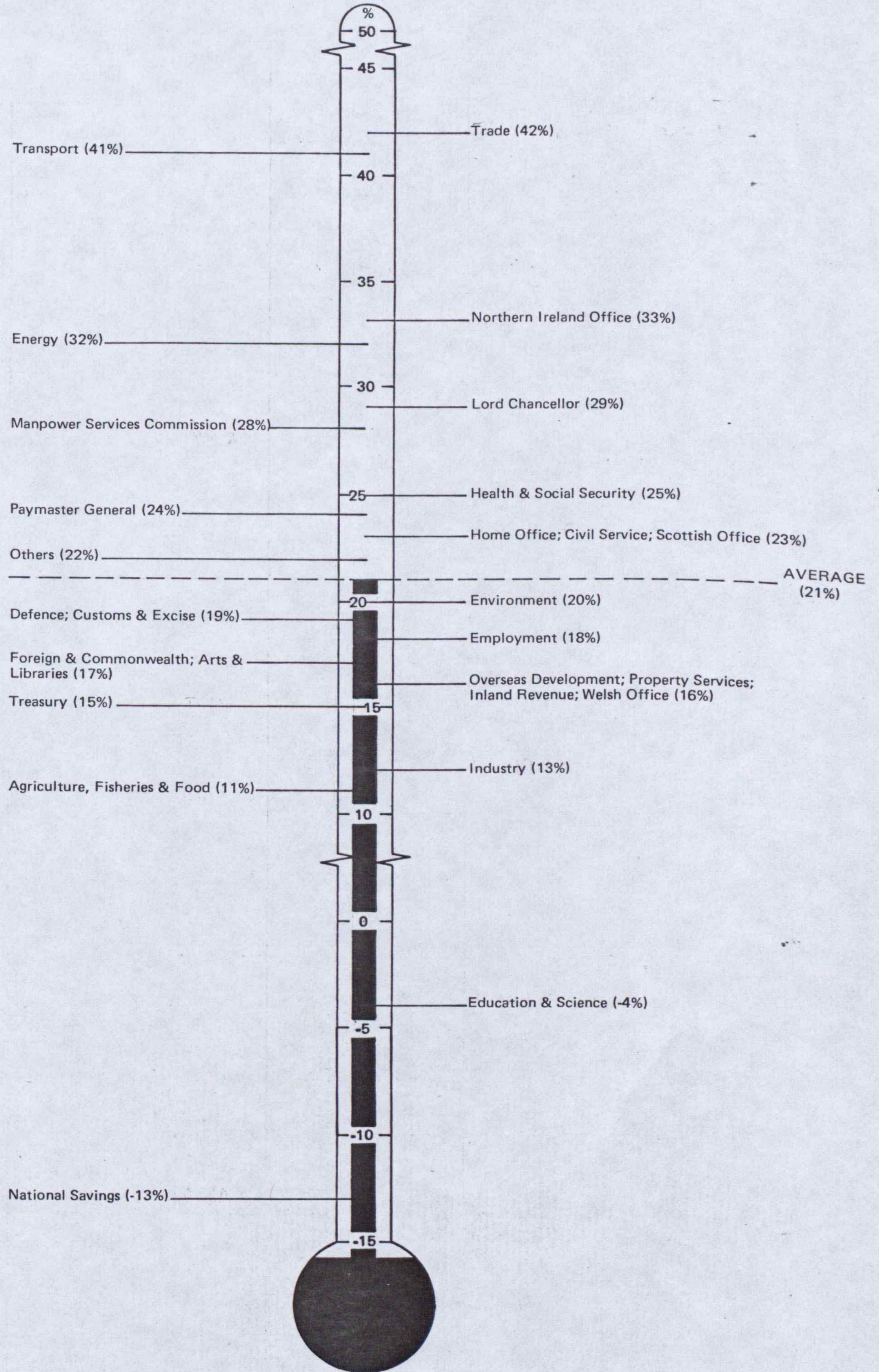
Paymaster General's Office excluded because of nil expenditure in 1979-80

PERSONNEL OVERHEADS

(b) COST PER EMPLOYEE 1980-81
Average cost = £236

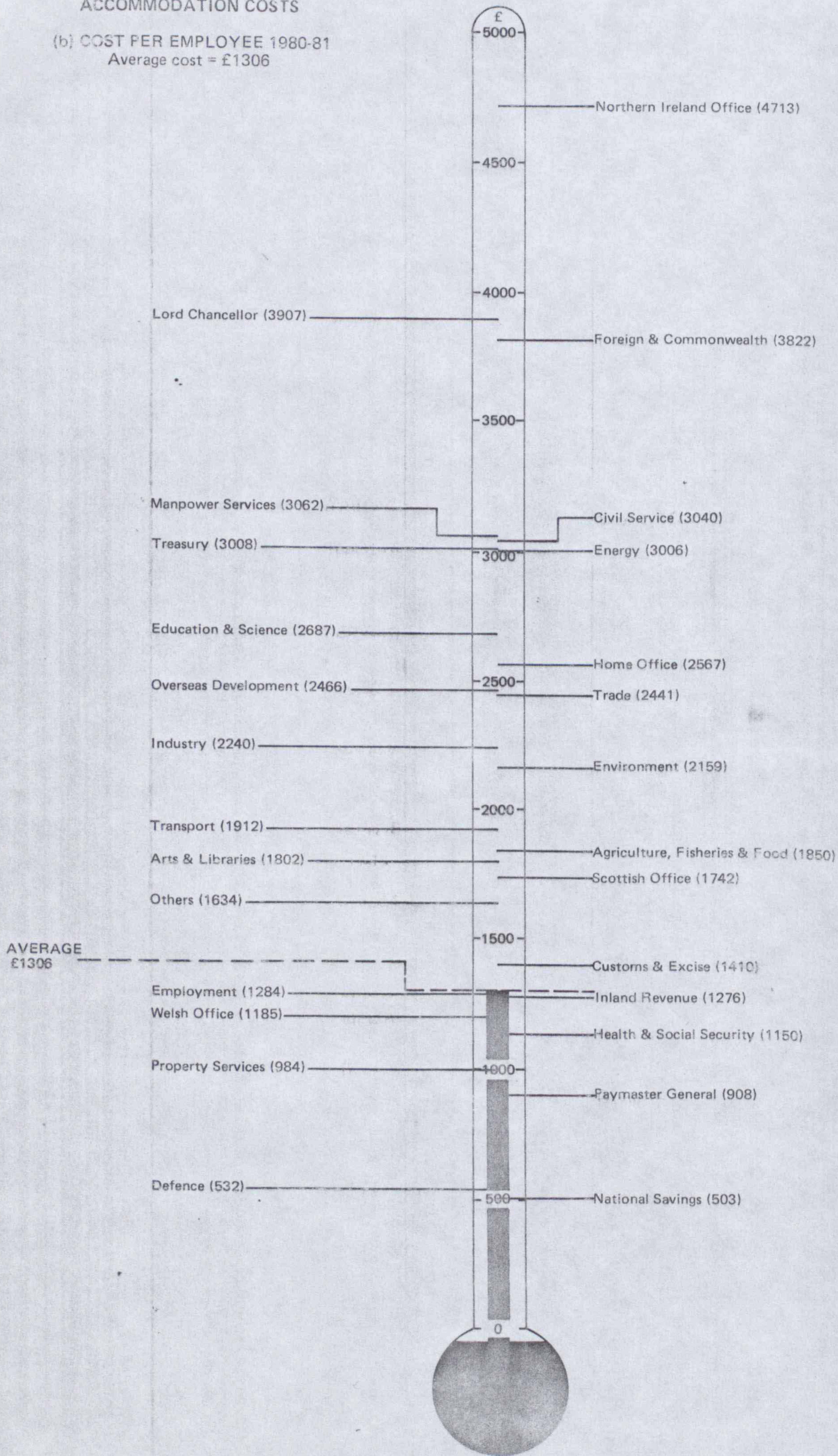


ACCOMMODATION COSTS
 (including notional cost of equivalent market rents)
 (a) % INCREASE IN COSTS BETWEEN 1979-80
 (forecast outturn) and 1980-81 (estimates)



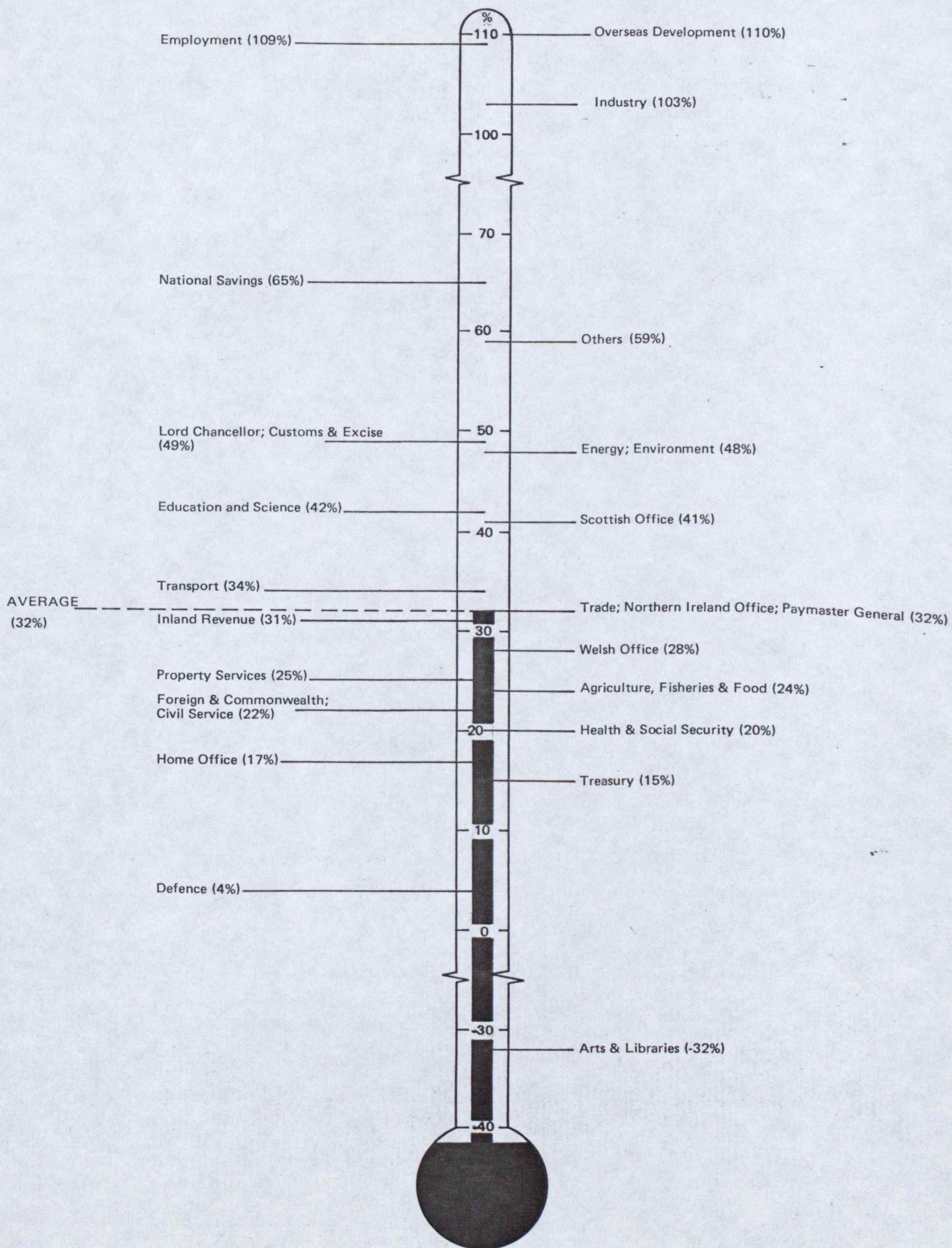
ACCOMMODATION COSTS

(b) COST PER EMPLOYEE 1980-81
Average cost = £1306



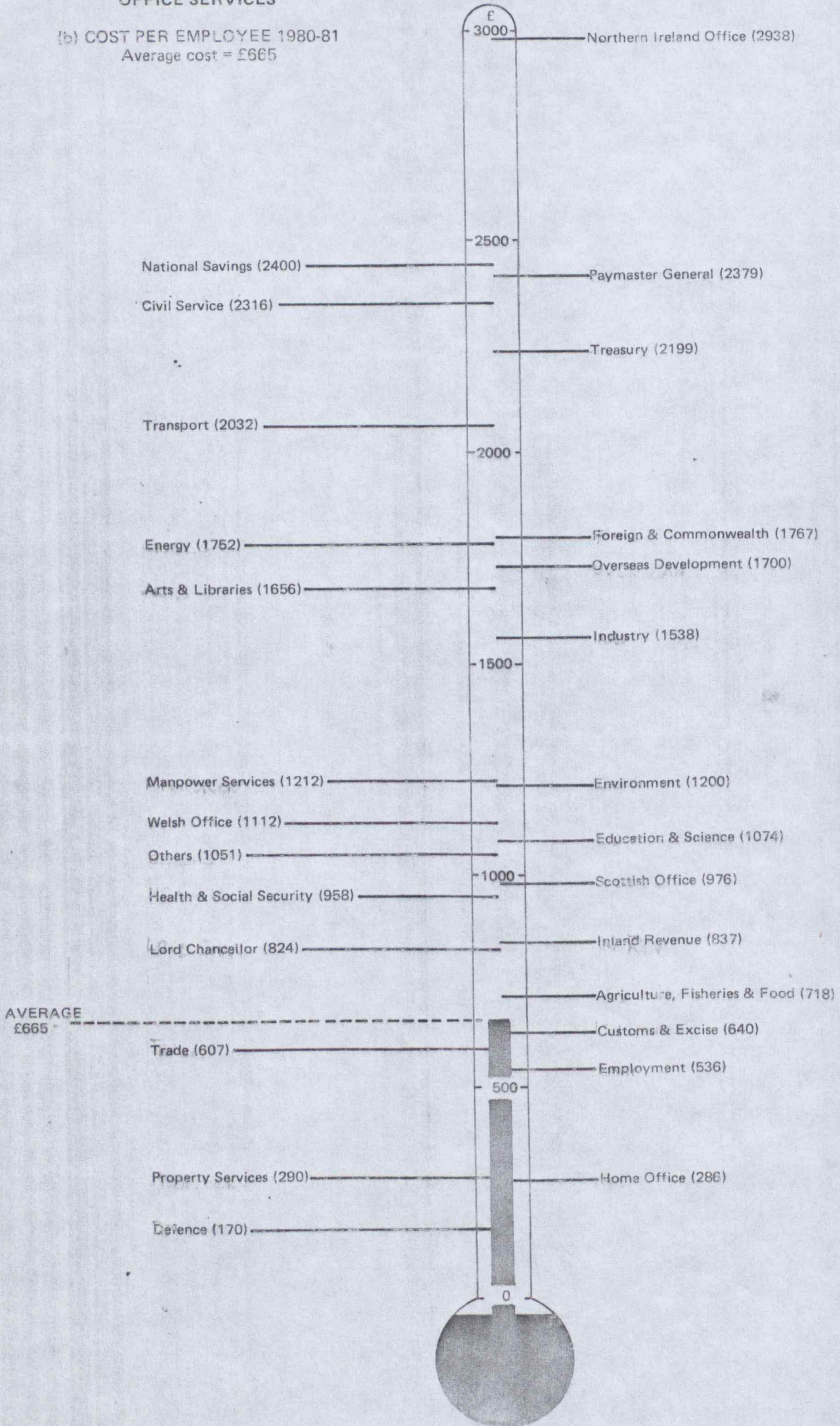
OFFICE SERVICES

(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



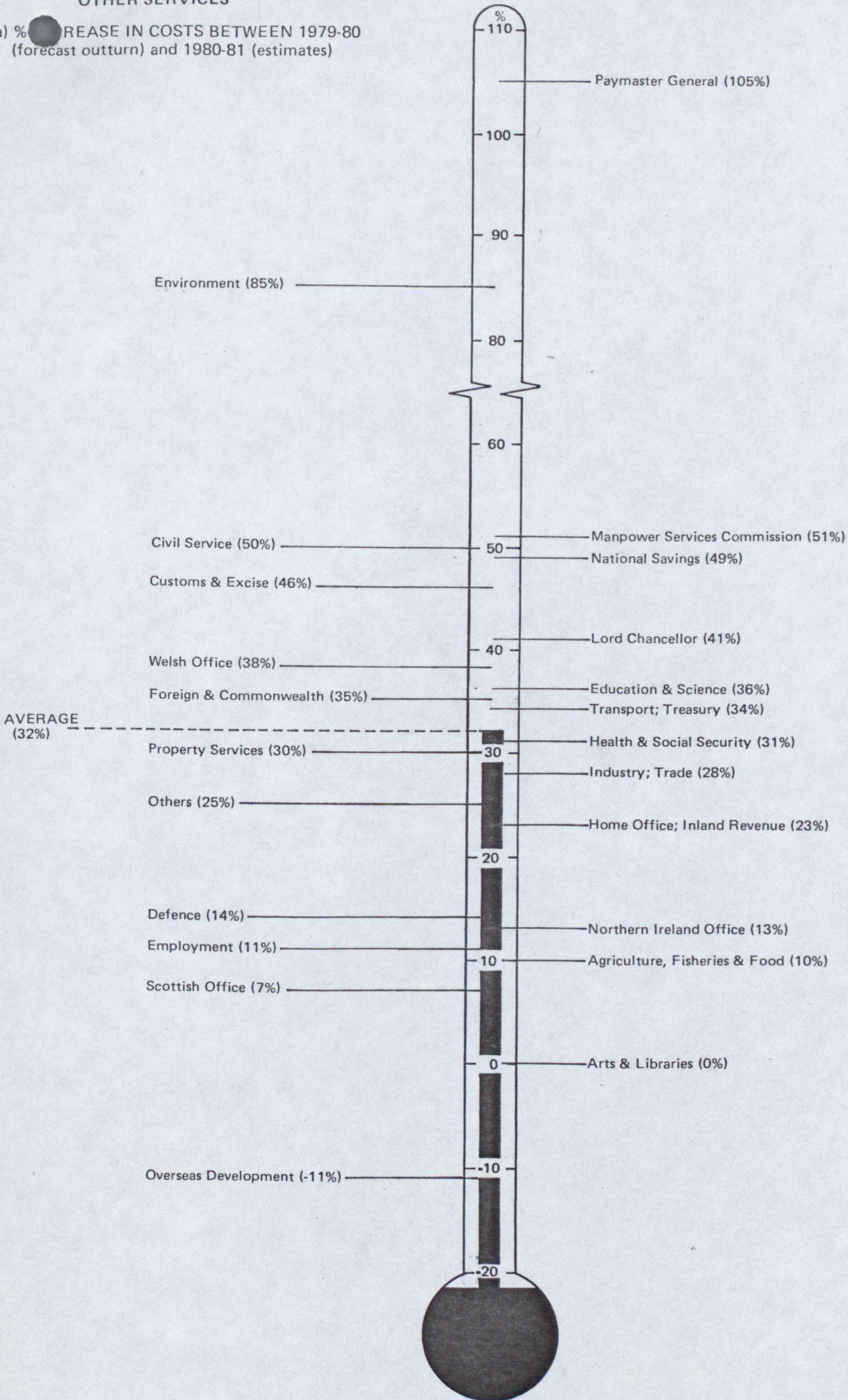
OFFICE SERVICES

(b) COST PER EMPLOYEE 1980-81
Average cost = £665



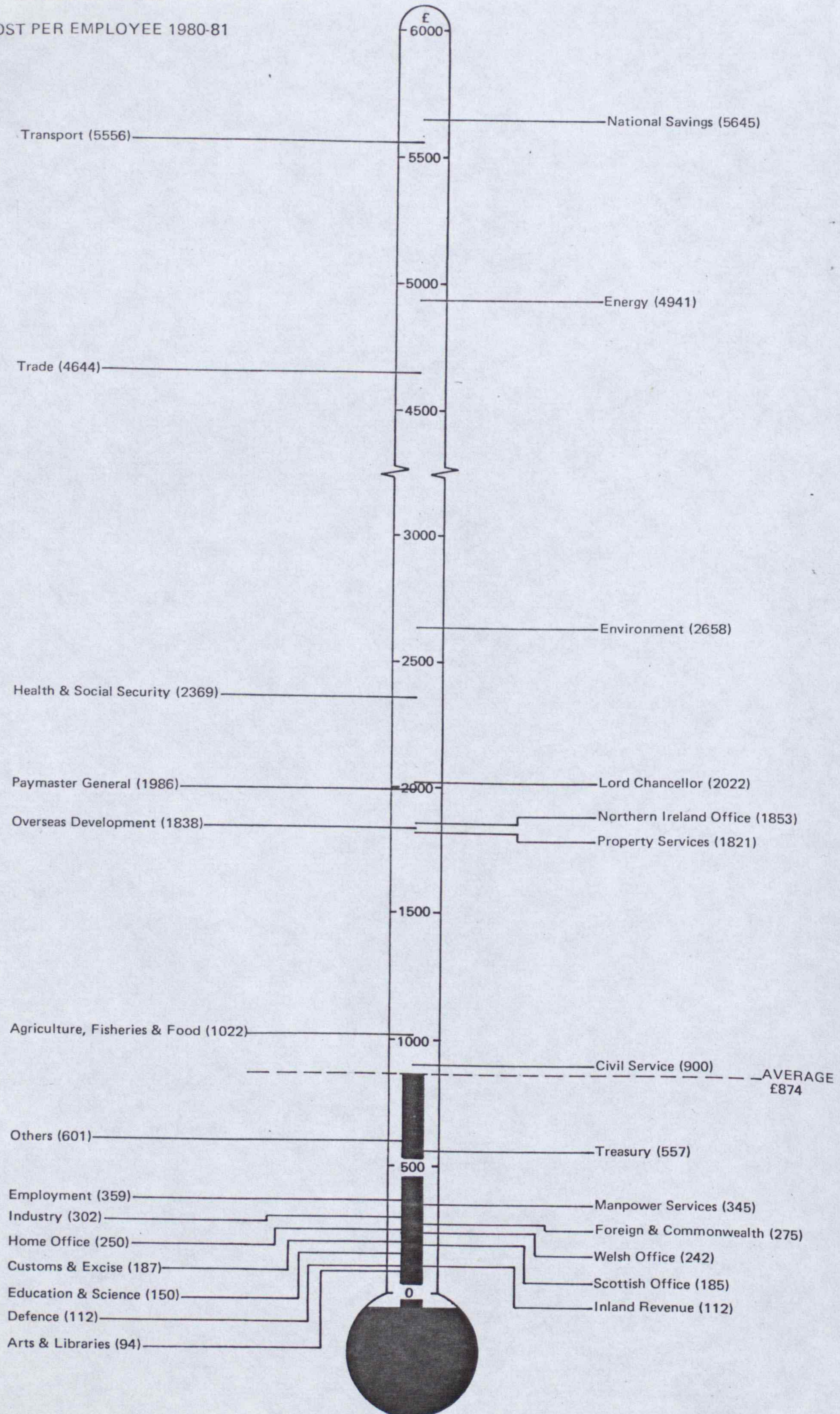
OTHER SERVICES

(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



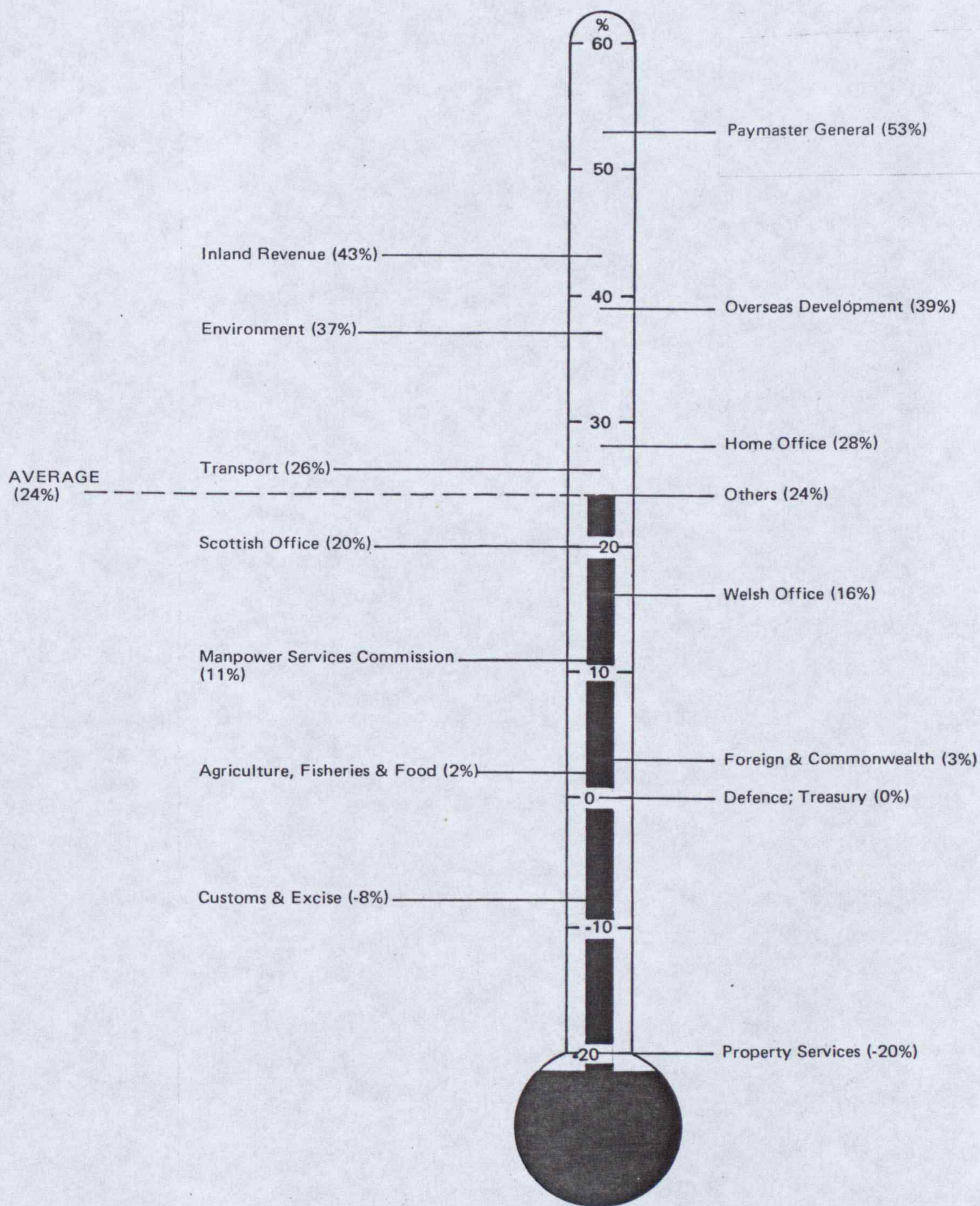
OTHER SERVICES

(b) COST PER EMPLOYEE 1980-81



OTHER NON-OFFICE EXPENDITURE

(a) % INCREASE IN COSTS BETWEEN 1979-80
(forecast outturn) and 1980-81 (estimates)



Department of Health and Social Security excluded because of nil expenditure in 1979-80. The following departments - Industry, Trade, Energy, Employment, Lord Chancellor's, Education and Science, Arts & Libraries, National Savings, Civil Service and Northern Ireland Office - had no entry under this section.

ANALYSIS OF TOTAL RUNNING COSTS OF DEPARTMENTS

	1978/79 ACTUAL COSTS		1979/80 FORECAST OF OUTTURN		1980/81 ESTIMATE		1979/80-1980/81 INCREASE/DECREASE (+ or -)		
	£m	% of total	£m	% of total	£m	% of total	£m	% change	
STAFF - Average numbers	755,472		734,671		720,979		13,692		
A. CASH EXPENDITURE									
WAGES AND SALARIES	3621	61	4049	61	5035	60	+ 986	24	
PERSONNEL OVERHEADS (Travel, Subsistence etc)	159	3	195	3	236	3	+ 41	21	
TOTAL PERSONNEL COSTS	3780	64	4244	64	5271	63	+ 1027	24	
ACCOMMODATION COSTS (Rent Rates Heating etc)	NA	8	518	8	623	7	+ 105	20	
OFFICE SERVICES (Postage, Stationery etc)	307	5	364	5	479	6	+ 115	32	
OTHER SERVICES (Giro, Post Office and other Agency Charges)	398	7	477	7	630	8	+ 153	32	
OTHER NON-OFFICE EXPENDITURE (Land, Vehicles, Plant, Equipment)	131	3	180	3	223	3	+ 43	24	
TOTAL CASH EXPENDITURE	NA	87	5783	87	7226	87	+ 1443	25	
B. NOTIONAL EXPENDITURE									
PENSION & GRATUITY LIABILITY (Personnel Costs)	564	9	635	9	791	9	+ 156	25	
EQUIVALENT MARKET RENTS (Accommodation Costs)	NA	4	261	4	319	4	+ 58	22	
TOTAL NOTIONAL EXPENDITURE	NA	13	896	13	1110	13	+ 214	24	
CASH AND NOTIONAL EXPENDITURE	NA	100	6679	100	8336	100	+ 1657	25	
Less costs transferred between Departments	NA	-	10	-	13	-			
TOTAL EXPENDITURE	NA		6669		8323		+ 1657	25	

ANALYSIS OF TOTAL RUNNING COSTS BY DEPARTMENT 1980-81

DEPARTMENT	WAGES AND SALARIES		PERSONNEL OVERHEADS		TOTAL PERSONNEL COSTS		ACCOMMODATION COSTS		OFFICE SERVICES		OTHER SERVICES		OTHER NON-OFFICE EXPENDITURE		TOTAL EXPENDITURE
	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	
DEFENCE	2016	88.5	52.4	2.3	2068.4	90.8	136.1	6.0	43.4	1.9	28.6	1.3	0.5	0.02	2277
FOREIGN AND COMMONWEALTH OFFICE	160	57.0	16.1	5.7	176.1	62.7	64.0	22.8	29.6	10.5	4.6	1.6	6.4	2.3	281
OVERSEAS DEVELOPMENT ADMINISTRATION	24	60.2	1.8	4.4	25.8	64.6	5.2	12.9	3.6	8.9	3.9	9.7	1.6	3.9	41
AGRICULTURE, FISHERIES & FOOD	122	61.1	12.3	6.2	134.3	67.3	25.0	12.6	9.7	4.9	13.8	7.0	16.5	8.3	199
INDUSTRY	85	67.6	3.8	3.1	88.8	70.7	20.2	16.1	13.9	11.0	2.7	2.2	-	-	126
TRADE	70	54.5	3.5	2.7	73.5	57.2	17.5	13.6	4.4	3.4	33.4	25.8	-	-	129
ENERGY	15	52.1	1.3	4.6	16.3	56.7	3.9	13.4	2.3	7.8	6.4	22.0	-	0.1	29
EMPLOYMENT	154	71.8	5.8	2.7	159.8	74.5	32.2	15.0	13.4	6.3	9.0	4.2	-	-	214
MANPOWER SERVICES COMMISSION	180	55.4	13.9	4.3	193.9	59.7	79.2	24.3	31.3	9.6	8.9	2.7	11.7	3.6	325
TRANSPORT	98	41.4	5.8	2.5	103.8	43.9	26.4	11.2	28.0	11.9	76.6	32.5	1.3	0.5	236
ENVIRONMENT	111	50.5	6.9	3.1	117.9	53.6	24.4	11.1	13.6	6.2	30.0	13.7	33.5	15.3	219
PROPERTY SERVICES AGENCY	300	72.9	10.9	2.7	310.9	75.6	31.9	7.7	9.4	2.3	59.0	14.3	0.2	0.1	412

ANALYSIS OF TOTAL RUNNING COSTS BY DEPARTMENT 1980-81 (continued)

DEPARTMENT	WAGES AND SALARIES		PERSONNEL OVERHEADS		TOTAL PERSONNEL COSTS		ACCOMMODATION COSTS		OFFICE SERVICES		OTHER SERVICES		OTHER NON-OFFICE EXPENDITURE		TOTAL EXPENDITURE
	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	£m	% of Dept total	
HOME OFFICE	404	63.7	15.9	2.5	419.9	66.2	92.9	14.7	10.3	1.6	9.1	1.4	101.4	16.0	633
LORD CHANCELLOR	99	57.4	6.4	3.7	105.4	61.1	39.0	22.6	8.2	4.8	20.2	11.7	-	-	173
EDUCATION AND SCIENCE	28	70.3	2.0	5.0	30.0	75.3	6.8	16.9	2.7	6.8	0.4	0.9	-	-	40
ARTS AND LIBRARIES	10	69.7	0.2	1.3	10.2	71.0	2.1	14.7	1.9	13.5	0.1	0.8	-	-	14
HEALTH AND SOCIAL SECURITY	680	60.0	20.3	1.8	700.3	61.8	110.9	9.8	92.4	8.2	228.3	20.2	0.6	0.1	1132
TREASURY	12	65.0	0.3	1.7	12.3	66.7	3.1	16.5	2.3	12.0	0.6	3.1	0.3	1.7	19
CUSTOMS AND EXCISE	242	75.4	14.9	4.6	256.9	80.0	38.2	11.9	17.3	5.4	5.1	1.6	3.7	1.1	321
INLAND REVENUE	569	74.6	15.5	2.0	584.5	76.6	99.5	13.0	65.3	8.6	8.7	1.1	4.8	0.6	763
NATIONAL SAVINGS	58	39.9	0.7	0.5	58.7	40.4	5.1	3.5	24.1	16.7	56.7	39.4	-	-	144
CIVIL SERVICE DEPARTMENT	34	57.5	3.1	5.2	37.1	62.7	10.7	18.1	8.2	13.8	3.2	5.4	-	-	59
SCOTTISH OFFICE	103	63.0	5.6	3.4	108.6	66.4	19.0	11.6	10.6	6.5	2.0	1.2	23.3	14.2	164
WELSH OFFICE	21	71.6	1.3	4.3	22.3	75.9	2.9	10.0	2.7	9.4	0.6	2.0	0.7	2.6	29
NORTHERN IRELAND OFFICE	4	54.0	1.0	12.7	5.0	66.7	1.3	16.5	0.8	10.3	0.5	6.5	-	-	8
PAYMASTER GENERAL	6	51.2	0.1	0.9	6.1	52.1	0.8	7.5	2.2	19.6	1.8	16.4	0.5	4.4	11
OTHERS	221	65.2	14.3	4.2	235.3	69.4	43.4	12.8	27.9	8.3	16.0	4.7	15.9	4.7	338
TOTAL	5826	69.9	236.1	2.8	6062.1	72.7	941.7	11.3	479.5	5.8	630.2	7.6	222.9	2.7	8336

TABLE: TOTAL EXPENDITURE (including Pension and Gratuity Liability and Equivalent Market Rents)

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee	Average Numbers	£'M	Cost per Employee £	Average Numbers	£'M	Cost per Employee £	Average Numbers	£'M	% (Note 2)
DEFENCE	267507			262901	1878	7143	255623	2277	8907	- 7278	+ 399	+ 21
FOREIGN AND COMMONWEALTH OFFICE	17479			17255	240	13910	16743	281	16763	- 512	+ 41	+ 17
OVERSEAS DEVELOPMENT ADMINISTRATION	2375			2266	32	14222	2127	41	19045	- 139	+ 9	+ 28
AGRICULTURE FISHERIES & FOOD	14039			13861	167	12052	13544	199	14683	- 317	+ 32	+ 19
INDUSTRY	9479			9343	99	10548	9014	126	13916	- 329	+ 27	+ 27
TRADE	7644			7368	100	13565	7180	129	17981	- 188	+ 29	+ 29
ENERGY	1305			1270	23	18324	1305	29	22411	+ 35	+ 6	+ 26
EMPLOYMENT	24062			21794	162	7405	25031	214	8558	+ 3237	+ 52	+ 32
MANPOWER SERVICES COMMISSION	25919			26199	262	10013	25856	325	12583	- 343	+ 63	+ 24
TRANSPORT	14347			13714	180	13087	13793	236	17092	+ 79	+ 56	+ 31
ENVIRONMENT	12652			12134	165	13631	11297	219	19395	- 837	+ 54	+ 33
PROPERTY SERVICES AGENCY	36699			35199	346	9838	32396	412	12707	- 2803	+ 66	+ 19

TOTAL EXPENDITURE (Continued)

HOME OFFICE	34368	35557	489	13763	36191	633	17495	+ 634	+ 144	+ 29
LORD CHANCELLOR	10180	10023	133	13277	9993	173	17326	- 30	+ 40	+ 30
EDUCATION AND SCIENCE	2704	2646	34	12644	2525	40	15855	- 121	+ 6	+ 18
ARTS AND LIBRARIES	1136	1125	13	11359	1146	14	12230	+ 21	+ 1	+ 9
HEALTH AND SOCIAL SECURITY	97284	96655	882	9125	96401	1132	11746	- 254	+ 250	+ 28
TREASURY	1060	1065	15	14172	1046	19	18254	- 19	+ 4	+ 27
CUSTOMS AND EXCISE	28770	27924	258	9218	27084	321	11864	- 840	+ 63	+ 24
INLAND REVENUE	84962	81464	619	7598	77990	763	9784	- 3474	+ 144	+ 23
NATIONAL SAVINGS	10788	10422	106	10180	10044	144	14342	- 378	+ 38	+ 36
CIVIL SERVICE	3445*	3504*	47	13419	3523*	59	16772	+ 19*	+ 12	+ 26
STATIONERY OFFICE	6767	6454	70	10904	(Note 1)					
SCOTTISH OFFICE	11143	11010	129	11732	10905	164	15012	- 105	+ 35	+ 27
WELSH OFFICE	2574	2549	24	9421	2444	29	11834	- 105	+ 5	+ 21
NORTHERN IRELAND OFFICE	242	242	6	23855	275	8	28520	+ 33	+ 2	+ 33
PAYMASTER GENERAL	855	895	8	9085	929	11	12119	+ 34	+ 3	+ 38
OTHERS	25687	26286	262	9967	26574	338	12721	+ 288	+ 76	+ 29
TOTAL	755472	734671	6679 (Note 1)	9091	720979	8336	11562	-13692 (Note 1)	+1657	+ 25

* These figures include the Civil Service PayResearch Unit whose staff increased by 20 during 1980-81.

NOTES

1. Excludes Stationery Office - Trading Fund 1980/81
2. In some instances where rounded figures give distorted results percentages based upon actual figures
3. Calculations based upon actual (not rounded) figures

TABLE: WAGES AND SALARIES (Including Pension and Gratuity Liability)

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Numbers	£'M	Cost per Employee	Average Numbers	£'M	% (Note 2)
DEFENCE	267507	1516	5669	262901	1650	6276	255623	2016	7887	-7278	+ 366	+ 22
FOREIGN AND COMMONWEALTH OFFICE	17479	124	7098	17255	136	7901	16743	160	9553	- 512	+ 24	+ 18
OVERSEAS DEVELOPMENT ADMINISTRATION	2375	16	6751	2266	19	8494	2127	24	11461	- 139	+ 5	+ 26
AGRICULTURE FISHERIES AND FOOD	14039	85	6086	13861	98	7061	13544	122	8971	- 317	+ 24	+ 24
INDUSTRY	9479	59	6167	9343	69	7330	9014	85	9412	- 329	+ 16	+ 23
TRADE	7644	48	6241	7368	55	7500	7180	70	9807	- 188	+ 15	+ 27
ENERGY	1305	9	7093	1270	11	8635	1305	15	11673	+ 35	+ 4	+ 36
EMPLOYMENT	24062	106	4413	21794	115	5274	25031	154	6147	+3237	+ 39	+ 34
MANPOWER SERVICES COMMISSION	25919	125	4816	26199	151	5749	25856	180	6976	- 343	+ 29	+ 19
TRANSPORT	14347	68	4717	13714	77	5644	13793	98	7079	+ 79	+ 21	+ 27
ENVIRONMENT	12652	77	6106	12134	90	7378	11297	111	9803	- 837	+ 21	+ 23
PROPERTY SERVICES AGENCY	36699	232	6334	35199	256	7276	32396	300	9269	-2803	+ 44	+ 17

EXPENSES AND SALARIES (continued)

HOME OFFICE	34368	250	7267	35557	306	8598	36191	404	11150	+ 634	+ 98	+ 25
LORD CHANCELLOR	10180	67	6552	10023	79	7832	9993	99	9937	- 30	+ 20	+ 25
EDUCATION AND SCIENCE	2704	19	7061	2646	23	8522	2525	28	11151	- 121	+ 5	+ 25
ARTS AND LIBRARIES	1136	6	5641	1125	8	7117	1146	10	8522	+ 21	+ 2	+ 22
HEALTH AND SOCIAL SECURITY	97284	455	4672	96655	526	5437	96401	680	7052	- 254	+ 154	+ 29
TREASURY	1060	8	7418	1065	9	8884	1046	12	11873	- 19	+ 3	+ 31
CUSTOMS & EXCISE	28770	171	5933	27924	194	6955	27084	242	8941	- 840	+ 48	+ 25
INLAND REVENUE	84962	408	4808	81464	460	5649	77990	569	7301	-3474	+ 109	+ 24
NATIONAL SAVINGS	10788	42	3869	10422	47	4523	10044	58	5723	- 378	+ 11	+ 23
CIVIL SERVICE	3445	22	6443	3504	27	7667	3523	34	9645	+ 19	+ 7	+ 26
STATIONERY OFFICE	6767	38	5577	6454	43	6727		(Note 1)				
SCOTTISH OFFICE	11143	68	6098	11010	81	7306	10905	103	9459	- 105	+ 22	+ 27
WELSH OFFICE	2574	15	5742	2549	17	6822	2444	21	8478	- 105	+ 4	+ 19
NORTHERN IRELAND OFFICE	242	2	10373	242	3	12442	275	4	15393	+ 33	+ 1	+ 40
PAYMASTER GENERAL	855	4	4343	895	4	5027	929	6	6209	+ 34	+ 2	+ 28
OTHERS	25687	145	5661	26286	173	6595	26574	221	8298	+ 288	+ 48	+ 28
TOTAL	755472	4185	5540	734671	4684	6375	720979	5826	8080	-13692	+ 1142	+ 24

(Note 1)

(Note 1)

NOTES:

1. Excludes Stationery Office - Trading Fund 1980/81
2. In some instances where rounded figures give distorted results percentages based upon actual figures
3. Calculations based upon actual (not rounded) figures

TABLE: PERSONNEL OVERHEADS

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Numbers	£'M	% (Note 2)
DEFENCE	267507	35.2	132	262901	46.6	177	255623	52.4	205	- 7278	+ 5.8	+ 12
FOREIGN AND COMMONWEALTH OFFICE	17479	13.6	780	17255	15.2	881	16743	16.1	964	- 512	+ 0.9	+ 6
OVERSEAS DEVELOPMENT ADMINISTRATION	2375	1.1	466	2266	1.2	541	2127	1.8	842	- 139	+ 0.6	+ 46
AGRICULTURE FISHERIES & FOOD	14039	7.4	525	13861	10.0	723	13544	12.3	905	- 317	+ 2.3	+ 23
INDUSTRY	9479	3.0	316	9343	3.3	356	9014	3.8	425	- 329	+ 0.5	+ 15
TRADE	7644	2.6	335	7368	3.0	413	7180	3.5	482	- 188	+ 0.5	+ 14
ENERGY	1305	0.9	723	1270	1.1	885	1305	1.3	1020	+ 35	+ 0.2	+ 18
EMPLOYMENT	24062	3.9	164	21794	4.6	210	25031	5.8	233	+ 3237	+ 1.2	+ 26
MANPOWER SERVICES COMMISSION	25919	8.5	329	26199	10.9	417	25856	13.9	535	- 343	+ 3.0	+ 27
TRANSPORT	14347	3.9	273	13714	4.4	321	13793	5.8	422	+ 79	+ 1.4	+ 32
ENVIRONMENT	12652	4.9	387	12134	5.7	467	11297	6.9	607	- 837	+ 1.2	+ 21
PROPERTY SERVICES AGENCY	36699	7.8	212	35199	9.5	268	32396	10.9	337	- 2803	+ 1.4	+ 15

PERSONNEL OVERHEADS (continued)

HOME OFFICE	34368	7.6	220	35557	13.4	377	36191	15.9	440	+ 634	+ 2.5	+ 19
LORD CHANCELLOR	10180	4.0	391	10023	4.7	465	9993	6.4	635	- 30	+ 1.7	+ 36
EDUCATION AND SCIENCE	2704	1.4	514	2646	1.7	633	2525	2.0	793	- 121	+ 0.3	+ 20
ARTS & LIBRARIES	1136	0.1	84	1125	0.1	120	1146	0.2	156	+ 21	+ 0.1	+ 32
HEALTH & SOCIAL SECURITY	97284	13.2	136	96655	15.5	161	96401	20.3	211	- 254	+ 4.8	+ 31
TREASURY	1060	0.2	219	1065	0.2	213	1046	0.3	314	- 19	+ 0.1	+ 45
CUSTOMS AND EXCISE	28770	10.9	379	27924	11.9	425	27084	14.9	551	- 840	+ 3.0	+ 25
INLAND REVENUE	84962	11.4	134	81464	12.4	152	77990	15.5	198	- 3474	+ 3.1	+ 25
NATIONAL SAVINGS	10788	0.4	35	10422	0.5	45	10044	0.7	71	- 378	+ 0.2	+ 51
CIVIL SERVICE	3445	2.0	584	3504	2.6	741	3523	3.1	871	+ 19	+ 0.5	+ 19
STATIONERY OFFICE	6767	1.1	156	6454	1.0	156	—	— (Note 1)	—	—	—	—
SCOTTISH OFFICE	11143	3.6	323	11010	4.4	396	10905	5.6	514	- 105	+ 1.2	+ 27
WELSH OFFICE	2574	0.9	366	2549	1.0	372	2444	1.3	512	- 105	+ 0.3	+ 33
NORTHERN IRELAND OFFICE	242	0.8	3168	242	0.7	2992	275	1.0	3624	+ 33	+ 0.3	+ 38
PAYMASTER GENERAL	855	-	45	895	-	61	929	0.1	107	+ 34	+ 0.1	-
OTHERS	25687	8.3	323	26286	10.0	380	26574	14.3	538	+ 288	+ 4.3	+ 43
TOTAL	755472	158.7	210	734671	194.6	265	720979	236.1	327	- 13692	+ 41.5	+ 21

(Note 1)

(Note 1)

NOTES: 1. Excludes Stationery Office - Trading Fund 1980/81

2. In some instances where rounded figures give distorted results percentages based upon actual figures

3. Calculations based upon actual (not rounded) figures.

TABLE: ACCOMMODATION COSTS (including Equivalent Market Rents)

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee	Average Number	£'M	Cost per Employee (Note 3) £	Average Number	£'M	Cost per Employee (Note 3) £	Average Number	£'M	% Note 2
DEFENCE	267507			262901	114.0	433	255623	136.1	532	-7278	+ 22.1	+ 19
FOREIGN AND COMMONWEALTH OFFICE	17479			17255	54.8	3174	16743	64.0	3822	- 512	+ 9.2	+ 17
OVERSEAS DEVELOPMENT ADMINISTRATION	2375			2266	4.5	1996	2127	5.2	2466	- 139	+ 0.7	+ 16
AGRICULTURE FISHERIES AND FOOD	14039			13861	22.6	1635	13544	25.0	1850	- 317	+ 2.4	+ 11
INDUSTRY	9479			9343	17.8	1909	9014	20.2	2240	- 329	+ 2.4	+ 13
TRADE	7644			7368	12.3	1675	7180	17.5	2441	- 188	+ 5.2	+ 42
ENERGY	1305			1270	3.0	2332	1305	3.9	3006	+ 35	+ 0.9	+ 32
EMPLOYMENT	24062			21794	27.4	1257	25031	32.2	1284	+3237	+ 4.8	+ 18
MANPOWER SERVICES COMMISSION	25919			26199	61.7	2355	25856	79.2	3062	- 343	+ 17.5	+ 28
TRANSPORT	14347			13714	18.7	1364	13793	26.4	1912	+ 79	+ 7.7	+ 41
ENVIRONMENT	12652			12134	20.3	1673	11297	24.4	2159	- 837	+ 4.1	+ 20
PROPERTY SERVICES AGENCY	36699			35199	27.6	785	32396	31.9	984	-2803	+ 4.3	+ 16

ACCOMMODATION COSTS (continued)

HOME OFFICE	34368			35557	75.3	2117	36191	92.9	2567	+ 634	+ 17.6	+ 23
LORD CHANCELLOR	10180			10023	30.2	3009	9993	39.0	3907	- 30	+ 8.8	+ 29
EDUCATION AND SCIENCE	2704			2646	7.1	2669	2525	6.8	2687	- 121	- 0.3	- 4
ARTS AND LIBRARIES	1136			1125	1.8	1577	1146	2.1	1802	+ 21	+ 0.3	+ 17
HEALTH AND SOCIAL SECURITY	97284			96655	89.0	921	96401	110.9	1150	- 254	+ 21.9	+ 25
TREASURY	1060			1065	2.7	2544	1046	3.1	3008	- 19	+ 0.4	+ 15
CUSTOMS & EXCISE	28770			27924	32.2	1153	27084	38.2	1410	- 840	+ 6.0	+ 19
INLAND REVENUE	84962			81464	86.0	1056	77990	99.5	1276	-3474	+ 13.5	+ 16
NATIONAL SAVINGS	10788			10422	5.8	557	10044	5.1	503	- 378	- 0.7	- 13
CIVIL SERVICE	3445			3504	8.7	2489	3523	10.7	3040	+ 19	+ 2.0	+ 23
STATIONERY OFFICE	6767			6454	7.9	1222		(Note 1)				
SCOTTISH OFFICE	11143			11010	15.5	1408	10905	19.0	1742	- 105	+ 3.5	+ 23
WELSH OFFICE	2574			2549	2.5	974	2444	2.9	1185	- 105	+ 0.4	+ 16
NORTHERN IRELAND OFFICE	242			242	1.0	4033	275	1.3	4713	+ 33	+ 0.3	+ 33
PAYMASTER GENERAL	855			895	0.7	758	929	0.8	908	+ 34	+ 0.1	+ 24
OTHERS	25687			26286	35.6	1352	26574	43.4	1634	+ 288	+ 7.8	+ 22
TOTAL	755472	NA	NA	734671	778.8	1060	720979	941.7	1306	-13692	+162.9	+ 21

(Note 1)

(Note 1)

NOTES:

1. Excludes Stationery Office - Trading Fund 1980/81
2. In some instances where rounded figures give distorted results percentages based upon actual figures
3. Calculations based upon actual (not rounded) figures

TABLE: OFFICE SERVICES

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£ 'M	Cost per Employee (Note 3) £	Average Numbers	£ 'M	Cost per Employee (Note 3) £	Average Numbers	£ 'M	Cost per Employee (Note 3) £	Average Numbers	£ 'M	% (Note 2)
DEFENCE	267507	31.0	116	262901	41.8	159	255623	43.4	170	- 7278	+ 1.6	+ 4
FOREIGN AND COMMONWEALTH OFFICE	17479	19.7	1130	17255	24.2	1400	16743	29.6	1767	- 512	+ 5.4	+ 22
OVERSEAS DEVELOPMENT ADMINISTRATION	2375	1.3	553	2266	1.7	760	2127	3.6	1700	- 139	+ 1.9	+ 110
AGRICULTURE FISHERIES & FOOD	14039	5.9	417	13861	7.8	560	13544	9.7	718	- 317	+ 1.9	+ 24
INDUSTRY	9479	6.5	689	9343	6.8	731	9014	13.9	1538	- 329	+ 7.1	+ 103
TRADE	7644	3.1	406	7368	3.3	449	7180	4.4	607	- 188	+ 1.1	+ 32
ENERGY	1305	1.1	870	1270	1.5	1218	1305	2.3	1752	+ 35	+ 0.8	+ 48
EMPLOYMENT	24062	7.0	291	21794	6.4	292	25031	13.4	536	+ 3237	+ 7.0	+ 109
MANPOWER SERVICES COMMISSION	25919	19.6	758	26199	22.6	865	25856	31.3	1212	- 343	+ 8.7	+ 38
TRANSPORT	14347	18.9	1321	13714	20.9	1522	13793	28.0	2032	+ 79	+ 7.1	+ 34
ENVIRONMENT	12652	8.3	656	12134	9.2	761	11297	13.6	1200	- 837	+ 4.4	+ 48
PROPERTY SERVICES AGENCY	36699	4.6	127	35199	7.5	214	32396	9.4	290	- 2803	+ 1.9	+ 25

OFFICE SERVICES (continued)

HOME OFFICE	34368	10.6	308	35557	8.8	247	36191	10.3	286	+	634	+	1.5	+	17
LORD CHANCELLOR	10180	5.6	550	10023	5.5	546	9993	8.2	824	-	30	+	2.7	+	49
EDUCATION AND SCIENCE	2704	2.2	801	2646	1.9	716	2525	2.7	1074	-	121	+	0.8	+	42
ARTS & LIBRARIES	1136	1.4	1269	1125	2.8	2470	1146	1.9	1656	+	21	-	0.9	-	32
HEALTH & SOCIAL SECURITY	97284	64.2	659	96655	77.1	797	96401	92.4	958	-	254	+	15.3	+	20
TREASURY	1060	1.1	1013	1065	2.0	1869	1046	2.3	2199	-	19	+	0.3	+	15
CUSTOMS AND EXCISE	28770	10.9	379	27924	11.6	417	27084	17.3	640	-	840	+	5.7	+	49
INLAND REVENUE	84962	41.9	493	81464	49.9	612	77990	65.3	837	-	3474	+	15.4	+	31
NATIONAL SAVINGS	10788	10.8	999	10422	14.6	1398	10044	24.1	2400	-	378	+	9.5	+	65
CIVIL SERVICE	3445	3.1	886	3504	6.7	1917	3523	8.2	2316	+	19	+	1.5	+	22
STATIONERY OFFICE	6767	4.4	651	6454	4.3	669	---	(Note 1)	---	---	---	---	---	---	---
SCOTTISH OFFICE	11143	8.3	744	11010	7.6	687	10905	10.6	976	-	105	+	3.0	+	41
WELSH OFFICE	2574	1.5	573	2549	2.1	832	2444	2.7	1112	-	105	+	0.6	+	28
NORTHERN IRELAND OFFICE	242	0.4	1519	242	0.6	2531	275	0.8	2938	+	33	+	0.2	+	32
PAYMASTER GENERAL	855	1.5	1706	895	1.7	1875	929	2.2	2379	+	34	+	0.5	+	32
OTHERS	25687	12.3	478	26286	17.5	665	26574	27.9	1051	+	288	+	10.4	+	59
TOTAL	755472	307.2	407	734671	364.1	495	720979	479.5	665	-	13692	+	115.4	+	32

(Note 1)

(Note 1)

NOTES: 1. Excludes Stationery Office - Trading Fund 1980/81

2. In some instances where rounded figures give distorted results percentages based upon actual figures

3. Calculations based upon actual (not rounded) figures

TABLE: OTHER SERVICES

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee (Note 3) £	Average Number	£'M	Cost per Employee (Note 3) £	Average Number	£'M	Cost per Employee (Note 3) £	Average Number	£'M	% (Note 2)
DEFENCE	267507	21.3	80	262901	25.1	95	255623	28.6	112	- 7278	+ 3.5	+ 14
FOREIGN AND COMMONWEALTH OFFICE	17479	2.6	146	17255	3.4	195	16743	4.6	275	- 512	+ 1.2	+ 35
OVERSEAS DEVELOPMENT ADMINISTRATION	2375	2.9	1234	2266	4.4	1934	2127	3.9	1838	- 139	- 0.5	- 11
AGRICULTURE FISHERIES AND FOOD	14039	9.6	687	13861	12.6	907	13544	13.8	1022	- 317	+ 1.2	+ 10
INDUSTRY	9479	1.9	195	9343	2.1	222	9014	2.7	302	- 329	+ 0.6	+ 28
TRADE	7644	22.0	2878	7368	26.0	3527	7180	33.4	4644	- 188	+ 7.4	+ 28
ENERGY	1305	5.4	4103	1270	6.6	5239	1305	6.4	4941	+ 35	- 0.2	- 3
EMPLOYMENT	24062	6.8	280	21794	8.1	372	25031	9.0	359	+ 3237	+ 0.9	+ 11
MANPOWER SERVICES COMMISSION	25919	5.5	210	26199	5.9	225	25856	8.9	345	- 343	+ 3.0	+ 51
TRANSPORT	14347	52.5	3655	13714	57.1	4163	13793	76.6	5556	+ 79	+ 19.5	+ 34
ENVIRONMENT	12652	13.7	1081	12134	16.2	1336	11297	30.0	2658	- 837	+ 13.8	+ 85
PROPERTY SERVICES AGENCY	36699	28.9	787	35199	45.3	1287	32396	59.0	1821	- 2803	+ 13.7	+ 30

OF SERVICES (continued)

HOME OFFICE	34368	5.3	155	35557	7.4	207	36191	9.1	250	+ 634	+ 1.7	+ 23
LORD CHANCELLOR	10180	12.4	1222	10023	14.3	1426	9993	20.2	2022	- 30	+ 5.9	+ 41
EDUCATION AND SCIENCE	2704	0.2	87	2646	0.3	105	2525	0.4	150	- 121	+ 0.1	+ 36
ARTS AND LIBRARIES	1136	-	41	1125	0.1	75	1146	0.1	94	+ 21	-	-
HEALTH AND SOCIAL SECURITY	97284	150.9	1551	96655	174.8	1809	96401	228.3	2369	- 254	+ 53.5	+ 31
TREASURY	1060	0.4	403	1065	0.4	409	1046	0.6	557	- 19	+ 0.2	+ 34
CUSTOMS & EXCISE	23770	3.7	130	27924	3.5	126	27084	5.1	187	- 840	+ 1.6	+ 46
INLAND REVENUE	84962	6.3	75	81464	7.1	88	77990	8.7	112	-3474	+ 1.6	+ 23
NATIONAL SAVINGS	10788	30.7	2842	10422	38.1	3657	10044	56.7	5645	- 378	+ 18.6	+ 49
CIVIL SERVICE	3445	1.7	505	3504	2.1	605	3523	3.2	900	+ 19	+ 1.1	+ 50
STATIONERY OFFICE	6767	0.2	28	6454	0.3	42		(Note 1)				
SCOTTISH OFFICE	11143	1.3	120	11010	1.9	170	10905	2.0	185	- 105	+ 0.1	+ 7
WELSH OFFICE	2574	0.4	142	2549	0.4	168	2444	0.6	242	- 105	+ 0.2	+ 38
NORTHERN IRELAND OFFICE	242	0.3	1388	242	0.4	1857	275	0.5	1853	+ 33	+ 0.1	+ 13
PAYMASTER GENERAL	855	0.7	782	895	0.9	1004	929	1.8	1986	+ 34	+ 0.9	+ 105
OTHERS	25687	10.7	418	26286	12.8	487	26574	16.0	601	+ 288	+ 3.2	+ 25
TOTAL	755472	398.3	527	734671	477.3	649	720979	630.2	874	-13692	+152.9	+ 32

(Note 1)

(Note 1)

NOTES

1. Excludes Stationery Office - Trading Fund 1980/81
2. In some instances where rounded figures give distorted results percentages based upon actual figures
3. Calculations based upon actual (not rounded) figures

TABLE: OTHER NON-OFFICE EXPENDITURE

DEPARTMENT	1978/79 ACTUAL COST			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee (not applicable)	Average Numbers	£'M	Cost per Employee (not applicable)	Average Numbers	£'M	Cost per Employee (not applicable)	Average Numbers	£'M	% (Note 2)
DEFENCE	267507	0.4		262901	0.5		255623	0.5		-	7278	-
FOREIGN AND COMMONWEALTH OFFICE	17479			17255	6.2		16743	6.4		-	512	+ 3
OVERSEAS DEVELOPMENT ADMINISTRATION	2375	1.5		2266	1.1		2127	1.6		-	139	+ 39
AGRICULTURE FISHERIES & FOOD	14039	9.1		13861	16.1		13544	16.5		-	317	+ 2
INDUSTRY	9479			9343			9014			-	329	
TRADE	7644			7368			7180			-	188	
ENERGY	1305			1270	-		1305	-		+	35	
EMPLOYMENT	24062			21794			25031			+	3237	
MANPOWER SERVICES COMMISSION	25919	8.4		26199	10.5		25856	11.7		-	343	+ 11
TRANSPORT	14347	0.8		13714	1.0		13793	1.3		+	79	+ 26
ENVIRONMENT	12652	18.2		12134	24.5		11297	33.5		-	837	+ 37
PROPERTY SERVICES AGENCY	36699	0.2		35199	0.3		32396	0.2		-	2803	- 20

OTHER NON-OFFICE EXPENDITURE (continued)

HOME OFFICE	34368	49.4		35557	78.9	36191	101.4	+ 634	+ 22.5	+ 28
LORD CHANCELLOR	10180			10023		9993		- 30		
EDUCATION AND SCIENCE	2704			2646		2525		- 121		
ARTS AND LIBRARIES	1136			1125		1146		+ 21		
HEALTH AND SOCIAL SECURITY	97284			96655		96401	0.6	- 254	+ 0.6	-
TREASURY	1060	0.2		1065	0.3	1046	0.3	- 19	-	-
CUSTOMS AND EXCISE	28770	5.0		27924	4.0	27084	3.7	- 840	- 0.3	- 8
INLAND REVENUE	84962	3.1		81464	3.3	77990	4.8	- 3474	+ 1.5	+ 43
NATIONAL SAVINGS	10788	-		10422	-	10044	-	- 378	-	-
CIVIL SERVICE	3445	-		3504	-	3523	-	+ 19	-	-
STATIONERY OFFICE	6767	9.3		6454	13.5		(Note 1)			
SCOTTISH OFFICE	11143	14.2		11010	19.4	10905	23.3	- 105	+ 3.9	+ 20
WELSH OFFICE	2574	0.5		2549	0.6	2444	0.7	- 105	+ 0.1	+ 16
NORTHERN IRELAND OFFICE	242	-		242	-	275	-	+ 33	-	-
PAYMASTER GENERAL	855	1.2		895	0.3	929	0.5	+ 34	+ 0.2	+ 53
OTHERS	25687	10.0		26286	12.8	26574	15.9	+ 288	+ 3.1	+ 24
TOTAL	755472	131.5		734671	179.8	720979	222.9	- 13692	+ 43.1	+ 24

(Note 1)

(Note 1)

NOTES: 1. Excludes Stationery Office - Trading Fund 1980/81

2. In some instances where rounded figures give distorted results percentages based upon actual figures

Mr Paterson ←

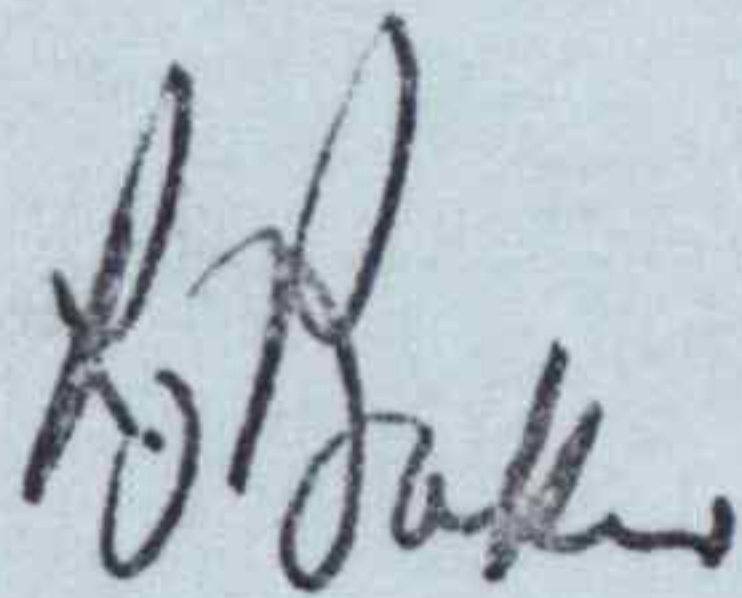
Mr C V Peterson

cc - Mr Towers

DEPARTMENTAL COSTS: PRIME MINISTER'S OFFICE

As I explained on the telephone, the costs of the PM's Office were included in the statement of CSD costs which was submitted and approved by the Minister of State, CSD. We have extracted the figures applicable to No 10, which I gave to you over the telephone in round terms.

I now enclose the statement using the proforma specified by Sir Derek Rayner together with a brief commentary. As you will know, this first year's exercise has been regarded as a fairly crude broad brush effort which does not aim at precise accounting accuracy but is nevertheless a fair statement of the costs involved.



R D H Baker
FIN

9 January 1981

STATEMENT OF DEPARTMENTAL COSTS: PRIME MINISTER'S OFFICE

A. STAFF

This section is based on actual rates of pay. Item A(vii) shows the cost of messengers and cleaners which are not normally counted with No 10 staff numbers.

B. OTHER SERVICES

This item covers the cost of telephone operators hired from the PO. The very large increase between 1978-79 and 1979-80 is accounted for by a single catching-up increase of 68% levied by the PO in the later year.

C. PERSONNEL OVERHEADS

The relatively substantial cost of travel and subsistence is due to the cost of aircraft charters for overseas missions.

The increased entertainment costs over 1978-79 are attributable to prices (+£1,250) and the balance to volume increases. 1980-81 shows a slight reduction in volume over the previous year.

D. ACCOMMODATION COSTS

Figures provided by PSA are not available for 1978-79.

E. OFFICE SERVICES

An approximative division between "ordinary" telecommunications and special services is as follows:-

	£'000		
	1978-79	1979-80	1980-81
Ordinary	36	42	80
Special	150	170	404

The increase in "special" in 1980-81 relates to a "one-off" purchase of security equipment.

Security expenditure in 1978-79 was inflated by costs related to the then Prime Minister's country residence. 1980-81 is inflated by the capital costs of security measures at Chequers.

	Penultimate Year (Actual) Gross	Last Year (forecast Outturn) Gross	This year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
Lab					
A. <u>Staff</u>					
1. Average Numbers of permanent staff	71½	67	67		
2. Costs	£	£	£	£	
Wages and Salaries - (including Insurance contribution)					
i. Permanent Staff . (UK based)	539,202	616,928	707,000	+ 90,072	+ 14.6
ii. Overtime	2,666	8,552	16,000	+ 7,448	+ 87.0
iii. Casuals	1,335	35		- 35	
iv. Period Appointees; staff on loan from outside bodies (paid for by the department)		21,986	10,000	- 11,986	- 55.0
v. Staff locally engaged overseas					
vi. Employers' super- annuation contri- butions					
vii. Other pay costs	44,000	56,000	75,000	+ 19,000	+ 34.0
messengers	15,098	18,277	21,566	+ 3,289	+ 18.0
cleaners					
3. Pension and gratuity liability (1)	95,939	109,279	124,410	+ 15,131	+ 13.8
TOTAL WAGES AND SALARIES	698,240	831,057	953,976	+122,919	+ 14.7
B. <u>Other Services</u>					
1. GIRO and other banking services	-	-	-	-	
2. Post Office Agency charges	-	-	-	-	
3. Other agency charges, cost of staff employed by contractors, consultants and fee paid staff	30,402	72,385	92,000	+ 19,615	+ 27.0
Note: this item is intended to include the employment of contract labour eg cleaning staff but not the direct labour element in government contracts]					
4. Payments to other departments for 2 services provided (eg establishments or common support services)					
[specify each department separately]					
TOTAL OTHER SERVICES	30,402	72,385	92,000	+ 19,615	+ 27.0

	Last year - This year				
	Penultimate Year (Actual) Gross	Last year (forecast Outturn) Gross	This year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
C. Personnel overheads					
Travel and Subsistence	154,864	180,724	212,750	+ 32,026	+ 17.7
Entertainment	6,289	13,919	15,000	+ 1,081	+ 7.7
Removals	-	1,476	1,000	- 476	- 32.2
Catering Subsidies	-	-	-	-	
Protective Clothing, Uniforms etc	-	-	-	-	
External training, seminars etc	-	-	-	-	
TOTAL PERSONNEL OVERHEADS	161,153	196,119	228,750	+ 32,631	+ 16.6
D. i. General Office Accommodation Costs					
Equivalent market rents (1)	N/A	74,000	92,000	+ 18,000	+ 24.3
Rates (2)		35,000	42,000	+ 7,000	+ 20.0
Heating, lighting(2)		11,000	14,500	+ 3,500	+ 31.8
Maintenance (2)		19,000	21,500	+ 2,500	+ 13.1
Furniture and fittings (2)		5,000	6,500	+ 1,500	+ 30.0
ii. Other Accommodation Costs					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)	-	-	-	-	
Furniture and fittings (2)					
Capital Costs - New Construction (2)					
TOTAL ACCOMMODATION COSTS	N/A	144,000	176,500	+ 32,500	+ 22.5

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers before 1980-81).

	Penultimate Year (Actual) Gross	Last (forecast outturn Gross	This Year (Estimate Gross	Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
E. Office Services					
Carriage, freight Transport-own depart- ment (inc. vehicle - maintenance)(3)					
Transport-PSA(2)(3)	N/A	50,000	60,000	+ 10,000	+ 20.0
Telecommunications (3)	186,088	211,432	484,000	+272,568	+ 128.9
Postage	2,010	3,296	5,500	2,204	+ 66.8
Office Machinery(3)	-	-	-	-	
Stationery					
Photocopying					
Printing & Publi- cations (3)	40,000	48,000	60,000	+ 12,000	+ 25.0
Publicity and advertising (2)(3)					
Library Services	5,557	5,789	6,000	+ 211	+ 3.6
Administrative Computers (3)	-	-	-	-	
Security	29,034	18,000	72,000	+ 54,000	+ 300.0
Minor Administrative Expenses [separately annotated where substantial]	11,472	19,641	20,000	+ 359	+ 1.8
TOTAL OFFICE SERVICES	274,161	356,158	707,500	351,342	+ 98.6
F. Other Non-Office Expenditure					
i. Capital Expen- diture					
Land					
Plant & Equipment					
Vehicles					
ii. Running Costs					
Land					
Plant & Equipment					
Vehicles					
iii. Other Current Costs					
TOTAL OTHER EXPENDITURE					
TOTAL EXPENDITURE A-F borne on own Votes	1,028,017	1,248,440	1,797,816	+549,376	+ 44.0

	Penultimate Year (Actual) Gross	Last Year (forecast outturn) Gross	This Year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
TOTAL EXPENDITURE A-F borne on other depts' Votes (2)	40,000	168,000	144,500	- 23,500	- 13.9
TOTAL EXPENDITURE A-F which is notional only (1)	95,939	183,279	216,410	+ 33,131	+ 18.0
GRAND TOTAL A-F	1,163,956	1,599,719	2,158,726	+559,007	+ 34.9

- (1) Notional expenditure only
- (2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers prior to 1980/81).
- (3) Please separate expenditure between Capital Costs and Running Costs where possible.

- Notes:
- (a) Pension and Gratuity Liability is to be calculated on the latest rates notified by the Treasury [currently 19% for Non-Industrials and 16% for Industrials].
- (b) Substantial costs will also need to be subdivided by organisational units (eg locations, functions, Under Secretary Commands etc). The precise nature of the breakdown will need to reflect the internal organisation of the department itself. All staff costs will require this treatment; the separation of other costs will depend upon a number of factors eg practicability, materiality and whether cost control will be facilitated.
- (c) Expenditure figures should be shown gross. A separate note analysing receipts may also be required in order to present a full picture.
- (d) Current year figures should be reconcilable with those shown in Supply Estimates after allowing for notional items. Figures for last year should be as near as possible to the final appropriation account figures. Penultimate year figures must be exactly reconcilable with that year's Appropriation Accounts.
- (e) Any goods or services provided free to the department on allied service terms should be marked. The expenditure to be shown under these items should be obtained from the relevant allied service department.
- (f) The contact points in these departments are as follows:
- Property Services Agency: Mr P B Overton,
20 Albert Embankment, London SE1(211 3254)
- Central Office of Information: Mr D J Etheridge,
Hercules Road, London SE17(928 2345 ext 81)
- Rating of Government Property Department: Mr P S Mewes,
69 Notting Hill Gate, London W1
(229 9841 ext 46)
- HM Stationery Office: Mr P Jefford, Sovereign House,
Botolph Street, Norwich (0603 22211)
- Central Computer and Telecommunications Agency: Mr D Fowler, Riverwalk House,
157-161 Millbank, London SW1 (211 0527)

Revised

IN CONFIDENCE

NOTE FOR THE RECORD

10 Downing Street: Overhead Costs

The CSD have confirmed that the figures presented for CSD in the current review of the overhead costs of Departments did include figures for No.10, using the same categories as in Sir Derek Rayner's letter which launched the exercise.

The No.10 figures are as follows:-

		<u>£000</u>	
	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
1. Total Wages and Salaries (Staff 71½, 67, 67)	698	831	954
2. Other Services (inc. fee-paid basis PO telephone operators)	30	72	92
3. Personnel Overheads:			
travel and subsistence	155	180	213
entertainment	6	14	15
4. General Office Accommodation Costs (PSA)	<u>[117]</u>	144	177
5. Office Services (telephones, security, office machines)	274	356	708
GRAND TOTAL	<u>1,163</u>	<u>1,280</u>	<u>1,597</u>
		1,597	2,159

Notes

2. Other Services

The main item here is the fee paid to the Post Office for the hire of Post Office telephone operators. After, apparently, no increase for some time there was a 68% increase charge between 1978/79 and 1979/80.

4. General Office Accommodation

The PSA were unable to provide a figure for 1978/79.

For the later two years in the table the breakdown is as follows:-

	£000	
	<u>1979/80</u>	<u>1980/81</u>
Equivalent market rents	74	92
Rates	35	42
Heating and light	11	14.5
Maintenance	19	21.5
Furniture and fittings	5	6.5

5. Office Services

The major item is telecommunications, as follows:-

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
Ordinary PO telephone costs	36	42	80
Special communications	150	169	404

The increase in "ordinary" costs in 1980/81 partly reflects irregular billing by the Post Office in 1979/80.

The sharp increase in "special" costs reflects the once-for-all purchase of replacement equipment.

The other major items under this heading are:-

	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
Office machinery	40	48	60
Security (including Chequers)	29	18	72

3. Entertainment

About four-fifths of the increase in 1979/80 over the previous year was in volume. For 1980/81 the increase is due to price rises; and there has in fact been a reduction in the amount of entertainment.

CVP.

[Blind copy: ✓ Mr Pattison]

✓
MAD
Civil
Service



CABINET OFFICE

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

8 January 1981

R W L Wilding Esq CB

Dear Richard,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Many thanks for your letter of 7 January, which Derek Rayner will see on his return next week. I am sure that he will find it very interesting, not least the last sentence.

Yours ever,

Oliver

C PRIESTLEY



CIVIL SERVICE DEPARTMENT

WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01 273 3715

Switchboard 01 273 3000

C Priestley Esq
Cabinet Office
Whitehall
SW1

7 January 1981

Dear Anne

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The Lord President is sending Derek Rayner a copy of a minute to the Prime Minister covering a draft Cabinet paper and note by officials. This takes up the majority of the points which Derek made in his letter of 18 December to Paul Channon.

2. One of his questions, however, is not covered in the paper and needs separate answer. In paragraph 10(a) of his letter he asks what proportion of public expenditure under "the Government's own hand" does running expenditure represent. We have consulted the Treasury on this, and have found that it is not easy to draw a clear line round expenditure "under the Government's own hand". It must presumably cover all the goods and services which the Government buys. But when it comes to other disbursements, there is a spectrum which embraces, for example, social security payments to individuals, grants to quangos, grants to private companies, and the funding of the Rate Support Grant and the NHS. It was not at all clear to us where to draw the line, and we feared that use of the expression might therefore prove confusing. Hence the omission, which I hope Derek will condone. However, one answer might be to exclude only the RSG and the NHS. On this basis, central government expenditure in 1979-80 was £32 billion. Against this, the £6.7 billion in departments' returns accounted for about 20%.

Yours with

Richard

R W L Wilding



CABINET OFFICE

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

8 January 1981

J Buckley Esq
Private Secretary to the
Lord President of the Council

Dear Sir,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. Thank you for your letter and enclosures of yesterday, on which Derek Rayner's comments are as follows.

Presentation

2. Rayner thinks the presentation of the data in Diagrams C greatly improved and helpful and agrees with the general purposefulness of the Ministerial drafts.

Lord President's minute to Prime Minister

3. Rayner comments thus:

Para. 2 at end: He does not agree that the data are "a highly indigestible dog's breakfast" and thinks that the clause at end should be dropped. The data are, rather, comparatively easy to digest and have to be digested.

Para. 3: He thinks the reference to cost increases as "broadly in line with inflation" defeatist and unacceptable, because:

(a) The increases appear from the Note by Officials to be above the level of inflation.

(b) Much more important, the current rate of inflation should not be taken as indicating an acceptable level of increase. He thinks that Government managers must take the lead in cutting costs, absolutely and in terms of acceptable increases; businesses which want to stay solvent have no choice but to do so.

Para. 5: Are the costs noted for CSD at end regarded as at an acceptable level?

Para. 6: Rayner suggests very strongly that the main recommendation should be to adopt a policy for restricting cost increases in 1981-82, specifying acceptable levels for different goods and services. He thinks that the CSD rôle should be chiefly one of making sure that such a policy is executed, although the investigation recommended at (b) might well help.

Draft Cabinet Paper

4. Rayner comments thus:

Para. 1: Bring up the reference to a "pilot run" from para. 5.

Para. 2: Are the figures complete - for example, are the Northern Ireland departments included?

Paras. 4 (a) Picking up the "policy" point made
6 and 9: in connection with the covering minute (see above), Rayner thinks that paragraph 4 should end by

(i) proposing acceptable levels of increase for next year; and

(ii) enjoining on Ministers the need for strong managerial control in and by departments.

(b) In paragraph 6, Rayner suggests that action in support of agreed policy should be co-ordinated at Permanent Secretary level, with a strong lead by CSD, the Deputy Secretary in charge of the management group being designated as the officer leading the drive to contain costs of a non-wage/salary kind.

Para. 7: (c) Amend first two lines to read: "The exercise has proved its value as a tool of management. As the note by"

Note by officials

5. Rayner suggests that the note should end more strongly: "Departments need to consider how best and Estimates. CSD will be taking the lead in this."

6. I am copying this to Geoffrey Green, Jeremy Colman, Hilary Tyrell, Richard Wilding, John Pestell and Geoffrey Wollen.

Yours ever,

Cave Priestley
C PRIESTLEY



FILE

10 DOWNING STREET

cc SO Master let
Mufaxed to Chequers
1.00 pm 2/1/81

From the Private Secretary

MR. PRIESTLEY
CABINET OFFICE

The Prime Minister spoke to Sir Derek Rayner on 31 December about the annual scrutiny of Departmental running costs. Sir Robert Armstrong was also present.

The Prime Minister said that she shared Sir Derek's anger at the complacency with which Departments were reporting the scale of overhead cost increases. She recognised that salaries accounted for some 60 per cent of these costs, but that Government ought to be emulating private industry's efforts to produce real cash savings on other overheads. She would have to take up this problem with Ministers individually.

Sir Derek Rayner emphasised that the figures were a rough and ready measure, and in some cases there would doubtless be valid explanations of the scale of increase. He had asked for some further work to be done on the tables, which he felt could be presented in a more accessible and useful form.

The Prime Minister agreed that the Lord President's paper, in its final form, would need to be circulated to Cabinet so that all Ministers could see the broad shape of the problem. The Prime Minister would wish to drive home the lesson that Government credibility was threatened by this kind of cost increase. She preferred to do so by investigating a selection of Departments personally through the Minister in charge and his Permanent Secretary and Establishment Officer. She would take this up through the Treasury and the Civil Service Department. She had believed that the cash limit system was designed to catch precisely this kind of increase in costs.

/ I am sending

MANAGEMENT IN CONFIDENCE

- 2 -

I am sending a copy of this minute to Mr. Wright (Cabinet Office).

M. A. PATTISON

2 January 1981

MANAGEMENT IN CONFIDENCE



✓
MAP

Gorr Macch

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

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

R31
24 December 1980

Dear Paul

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I have now completed a review of the cost of running the Northern Ireland Office and the related Departments of the Northern Ireland Civil Service. As I explained in my letter to you on 8 May, I was not sure about the merits of displaying detailed departmental costs in the way originally suggested by Sir Derek Rayner but the work which has been undertaken has been within the spirit, if not the letter, of Sir Derek's proposals.

Rayner
A/S

..... Discussions between our officials have established that for this year I should confine my detailed returns to Northern Ireland Office costs. The commentary attached therefore covers only the Northern Ireland Office. (My officials passed expenditure details to yours in October) Naturally the more general points which I have made below comprehend the outcome of our experience in relation to Northern Ireland Departments as well.

Broadly speaking, I and my Ministerial colleagues found the scrutiny worthwhile and we would be content to see it continued, albeit with some refinements. One of my main concerns is that under the present format the amount of work is not justified by the results. I suggest that this difficulty might be tackled on two fronts. Firstly, we might change the timing of the exercise so that it fits more conveniently into the normal PES/Estimates financial cycle. Secondly, I think it is important for Ministers to be able to focus quickly on those areas where the underlying trend is one of a real increase in



cost; this is difficult to pinpoint where the costings are presented on a cash basis only. I therefore fully endorse Patrick Jenkin's suggestion that the tables need to be shown at constant prices as well as on a cash basis.

We also encountered some operational difficulties in carrying out a parallel exercise in relation to Northern Ireland Departments, but will be looking at these points again in light of Cabinet's conclusions about the future of the exercise and my officials will consult yours as necessary.

I am copying this to Sir Derek Rayner and the other recipients of his letter of 22 February.

Yours ever

Humphrey

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS:

NORTHERN IRELAND OFFICE COMMENTARY

Background

1. Minister of State, Mr Michael Alison, MP, was responsible for the detailed scrutiny of the costs, some £300m, of running the NIO and its functions in the law and order field.
2. The material provided by Finance Officers analysed the staffing, administrative and running costs of each of 10 separately identifiable management units within the Law, Order and Protective Services Vote, all expenditure having been dissected in line with the Rayner format. With commentary and explanations, the analysis covered some 30 pages.

Scrutiny

3. On the basis of Sir Derek Rayner's suggestions (in his note attached to his letter of 22 February 1980 to the Home Secretary) the Minister probed the information provided. In the course of his examination meetings were held with NIO's financial officers and supplementary information was provided where required.
4. Based on his examination of the details provided the Minister expressed concern on 2 main areas of spend:-
 - (i) Prisons overtime: which had shown a general increase each year over the last 3 years despite a decrease in prisoner population and an increase in prison staff numbers.
 - (ii) Civilian Search Unit overtime: where about one-third of the total wage bill is on overtime.

The Minister directed that these 2 areas should be examined in more depth by officials and further reports made to him in due course. This further scrutiny is in hand.

Specific Observations

5. The Minister felt that the exercise would best serve his needs if the timing was sufficiently flexible, within the PES/Estimate cycle, to ensure that the results of his scrutiny could be taken into account in the preparation of the following year's Estimates.
6. As regards the price base of the expenditure, the Minister considered that the scrutiny would have more meaning if, rather than presentation on a cash basis alone, the figures were to be complemented by constant price levels perhaps by an additional column explaining the volume changes between the last 2 years of the scrutiny. Trends would then be highlighted.

General Observations

7. For the future, the Minister felt that although this pilot exercise had proved effective and he had found little trouble in assimilating the data provided, the presentation was of necessity bulky and detailed and tended to obscure rather than highlight those areas worthy of further examination.
8. He would prefer to see a measure of selectivity in the detailed information presented to him. He proposed therefore in future to call for an analysis to be prepared of all the major areas of spend in his programme, and would then consider jointly with officials, what additional detailed scrutiny should be afforded to any other minor area (disturbing trends might call for positive corrective action to be taken by the Minister although the money involved may not be significant.)
9. The Minister's overall assessment of the scrutiny was that it had been interesting and revealing the first time round, and he considered that, with a better and simpler presentation with effective highlighting it would have greater potential.



10 DOWNING STREET

PRIME MINISTER

Derek Rayner is furious about the figures thrown up by the annual scrutiny of Departmental running costs. He is not only outraged by the overhead cost increases, when set aside the efforts which the private sector have had to make to hold costs this year: what really worries him is the apparent complacency of Ministers in reporting overhead cost increases of this scale.

This is due to come to Cabinet early next year. You might find it helpful to talk to Derek before the Cabinet meeting about how to handle it there.

I should like to talk to D-R as soon as possible. These figures are disgraceful.

23 December 1980

MB

PERSONAL

PRIME MINISTER

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Flag A -
(main text +
the key annex)

Flag B.

1 I have recently read a first draft of the report being prepared for Cabinet by the Lord President of the Council summarising the results of the work commissioned earlier this year to prepare an annual report on the costs of Government for Ministers individually and collectively. A copy of my comments to the Minister of State, CSD, on the draft has been supplied to your office privately.

2 From the individual returns that have been copied to me, I was conscious of a sharp movement upwards, but the summary indicates that the cost of administering Government has risen, in spite of the attack on numbers, by a staggering 25 per cent over last year.

3 I find it disappointing, to say the least, that a number of Ministers have recently commented on other papers that it is not for them to manage, while some have questioned the modest costs of preparing the very basic and simple management accounts involved in this exercise. There is also a reluctance in some quarters to recognise or take seriously items costing millions, because Government budgets run into tens of billions. This has particularly shocked me, knowing how difficult it is for the wealth-creating sectors of the nation to produce an extra million pounds of added value, and how easily in running Government millions add up to tens of millions, particularly across the range of departments.

4 Although the information in this first round was in places crude and will certainly be inaccurate in detail, it did serve to indicate only too clearly the scale of the increase in expenditure on administration. The Government, to its credit, has already decided to cash-limit expenditure on wages and salaries, but the implication which emerges from the report - and which in my view needs to be seized and acted upon - is that the drift will continue in other areas. Taken across Government as a whole, the cost of meeting these inflationary increases in overheads is difficult to explain or defend, given cuts in Government or Government-funded services of the kind we have seen over the last year.



5 The key question is whether such large increases in the cost of Government are accepted as a fact of life - inexorable and immutable.

6 Perhaps I might make these points on the major items of cost:

a Salaries

I believe that increases in costs, including the pensions commitment, should be mitigated by reductions in numbers, ie increased productivity.

b Accommodation costs

With the reductions in numbers under way, there is considerable scope for reducing the amount of space occupied as well as an opportunity to look with new eyes at the more effective use of expensive office accommodation. Departments will play their part much better if some device is created which will allow them to take credit on their overheads for accommodation they declare vacant. My proposals for charging accommodation costs, shortly to come before you, will provide Ministers with the first very important step towards this.

c Other overheads (telephones, energy, stationery, postage etc)

I believe that a directive should be issued that costs must be rigidly held down. (We have had some very successful experience at M & S.) Examples occur all over Whitehall. In my visits to other Government offices, I find corridors ablaze with light and offices often lit by elaborate overhead light fittings. In my office I had the 100 watt bulbs replaced by 60 watt bulbs without loss of adequate working light.

d Capital expenditure

In order to bring down running costs, some capital expenditure has been and will continue to be necessary. (In order to sharpen up the attack on waste, I think that approved capital expenditure should be shown separately in the future scrutiny of costs, as to my personal knowledge it distorts some of the real increase in costs in some of the charts which will shortly be sent to you.)

7 If you wish to discuss any of this, I am at your service.

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

Is para. 2 necessary?

Introduction

and try?
In the autumn of 1979 Cabinet decided that departmental Ministers should scrutinise the staff costs and overheads of their departments, and that an annual statement of the cost of government should be prepared by CSD. Sir Derek Rayner wrote to Ministers on 22 February with advice on how to proceed and on 22 April the Minister of State, Civil Service Department, wrote confirming that the return for each Department (excluding Trading Funds) should be set out in the form annexed to Sir Derek Rayner's letter. This was to be accompanied by a commentary summarising the nature of the scrutiny which had been carried out and the consequent action which it had been decided to take, together with any general observations on the exercise.

2. Returns were submitted by all departments in the form proposed, but as Sir Derek Rayner anticipated when he described this year's exercise as a trial run, the returns contained a number of rough edges. Care must therefore be taken on this occasion in drawing conclusions from the information obtained.

3. For the purpose of this paper the numerical data contained in the returns has been summarised as follows:

Diagram A: Expenditure by departments in 1980-81

Diagram B: Breakdown of costs in 1980-81

Diagrams C(i)-(vii) Total expenditure and cost elements by department, showing % increase in costs between 1979-80 and 1980-81 and cost per employee in 1980-81

Annex A: A consolidated state-ment of the cost of central government in 1978-79, 1979-80 and 1980-81, with a breakdown into the major items

Annex B: A statement of each department's expenditure in 1980-81 for each major item and in total

Annex C: A statement of each department's expenditure for each major item in total, and per permanent employee, for 1978-79, 1979-80 and 1980-81, showing the change in expenditure between 1979-80 and 1980-81.

Staff numbers

4. The figures for 1978-79 and 1979-80 are the average numbers of permanent staff in post in those years; the 1980-81 total is that underlying the original Estimates, less the savings from the 2½% cash limit squeeze. These figures include industrial and non-industrial civil servants, but also some 40,000 staff locally engaged overseas by the Ministry of Defence and Foreign and Commonwealth Office (not counted as civil servants). Some 33,000 civil servants who work in Trading Funds (Royal Ordnance Factories, Property Services Agency Supplies, the Royal Mint and Her Majesty's Stationery Office (1979-80 and 1980-81 only) are excluded from the figures, as are casual staff. Over the years covered by the returns, average staff numbers fell from 741,000 in 1978-79, to 735,000 in 1979-80 and to 721,000 in 1980-81.

Why?
Why?
Why?

Total cost

5. The total cost of running central government departments has risen from £6,679 million in 1979-80 (forecast outturn plus notional costs) to £8,336 million in 1980-81 (Vote provision plus notional costs). These figures differ, therefore, from those in published Estimates (which were used as the basis for the exhibition at No 10 Downing Street in early December on the cost of the civil service) mainly because of the inclusion of notional costs for the pensions of serving staff and for the rental value of Crown property. Cash expenditure accounts for 87% of the total.

→ What proportion is this of central govt. "annight" exp?

+ 25%
How does
this compare
with the rate
of inflation?

6. The shares of total cost accounted for by the larger departments ^{are} ~~is~~ shown in Diagram A. On the basis used in this year's exercise, the Ministry of Defence accounts for about one quarter, and, with the next two largest departments, DHSS and Inland Revenue, for one half.

8,336
- 6,679

1,657

No. Hence why? Meaning?

7. While total costs increased by 25% between 1979-80 and 1980-81, the major items of cost maintained a very similar relationship to total costs in both years. The 1980-81 position is shown in Diagram B. In that year, wages and salaries made up 60% of total expenditure, accommodation costs 7%, office services 6% and other expenditure 14%. Notional costs made up 13% of the total.



8. The total cost per permanent employee rose from about £9,000 in 1979-80 to £11,500 in 1980-81. The variation in cost increase and cost per employee between departments is shown in Diagram C(i).

Wages and salaries

+ 24.6%

9. The figure of £4,049 million in 1979-80 and £5,035 million in 1980-81 represents the cost of wages, salaries, overtime payments and employers' National Insurance contributions for permanent staff (as defined above), period appointees and casuals; it also includes Ministerial salaries.

Why?



10. Over the civil service as a whole wages and salaries represent about 60% of total expenditure. In some departments the proportion is as high as 88%, in no department is it less than 41%. This cost has increased by 24% between 1979-80 and 1980-81, including the effect of the staging of the April 1979 pay award. In some of those departments where there is a net growth in staff numbers over this period, the percentage rise is in excess of 30%.

11. The notional cost of the pensions of serving staff is based on a standard of 19% of the wages and salaries bill for non-industrials and 16% for industrials (this excludes National Insurance, overtime and payments to casual staff). The resultant figure is 9% of total expenditure.

12. Taking cash and notional expenditure together, the average cost of all wages and salaries and pensions per permanent employee rose from £5,375 in 1979-80 to £3,080 in 1980-81. The variation between departments in cost increase and cost per employee is shown in Diagram C(ii).

5,035
- 4,049

986

Personnel Overheads

13. These overheads (travel, subsistence, entertainment, removals, catering subsidies, protective clothing and external training) account for 3% of total expenditure. and showed an increase in cost of 21% between 1979-80 and 1980-81. The average cost per permanent employee rose from £194 to £236 between these years. The variation between departments in cost increase and cost per employee is shown in Diagram C(iii).

14. Two-thirds of this expenditure is represented by staff travelling and subsistence, on which disaggregated information is not generally available. The increase in cost between 1979-80 and 1980-81 reflects the increases in subsistence and mileage allowances (to cover increased VAT and petrol prices) and in public transport fares.

In the Overseas Development Administration the increase is attributed to the travel, subsistence and removals costs of dispersal. Individually, the other aspects of expenditure under this heading constitute only a small part of departments' budgets and outlay on even a single item can produce significant fluctuations within a department from year to year. Comparisons between departments should therefore be treated with caution.

Accommodation costs

15. These costs (rents, rates, heating, lighting, maintenance, furniture and fittings) are borne by PSA on an allied service basis.*

*The costs for these two years were allocated by PSA to departments on a "unit-rate" basis derived from total expenditure for the PSA estate as a whole. (PSA could not provide comparable figures for 1978-79 because of a change in the method of measuring accommodation space.) Departments made the point that any figures based on unit-rates should be viewed as approximations. While they thought that those for rents were broadly consistent with their own, they expressed particular reservations about the application of the unit-rate principle to other items, such as heating and lighting. They considered that this system of attributing costs failed to recognise that individual departments could to some extent control their own consumption by ensuring that staff used these facilities in an economic way. Generally, it was thought that PSA needed to refine its system before a further exercise of this type.

Across the civil service they represent about 7% of total expenditure. The attribution of an equivalent market rental value to Crown property adds a further 4% of total expenditure in both of these years. Taken together these cost elements show an increase of 21% between 1979-80 and 1980-81.

16. The cost of accommodation per permanent employee rose from £1,060 in 1979-80 to £1,306 in 1980-81. The distribution by department of cost increases and cost per employee is shown in Diagram C(iv) but because of the method used to allocate costs, any figures for individual departments must be regarded with considerable caution.

17. The figures do not show what volume changes in accommodation have occurred. Departments recognised that the reduction in staff numbers offered scope for reducing the amount of accommodation required. However, as the Ministry of Defence noted, the reduction in space was proportionately smaller than the reduction in numbers. This was partly because of the smaller amount of space occupied by the grades substantially affected to date, and partly because of the difficulty of translating scattered staff reductions into a building or part of a building which could be given up.

What will
Michael
Heddie
make of
this?

Office services

18. Together these services make up 5-6% of total expenditure; the increase between 1979-80 and 1980-81 was 30%. In these years the cost per permanent employee rose from £495 to £665. The distribution by department of cost increases and cost per employee is shown in Diagram C(v). The main items are as follows:

a. Postage: postage has shown an increase as a result of higher postage rates. The system of official paid stationery is now being replaced by public posting methods; this should increase cost-consciousness.

b. Printing and publications: in 1978-79 and 1979-80 HMSO incurred these costs on an allied service basis, and departments' estimates provision for 1980-81 may not be directly comparable.

c. Telecommunications: the rise in the current year is caused mainly by increased Post Office charges. However this is exaggerated by the slippage of telephone accounts following industrial action in the Post Office during 1979-80 which led to an understating of the cost in that year.

d. Publicity and advertising: this includes COI expenditure on behalf of other departments. Some departments reported a reduction in advertising during 1979-80 because of the recruitment ban.

e. Administrative computers: this cost was borne by the Central Computer and Telecommunications Agency on an allied service basis in 1978-79 and 1979-80, but has now been transferred to repayment.

Other services

19. The cost of services provided by the Post Office and other agencies rose between 1979-80 and 1980-81 from 7% to 8% of total expenditure; there has been an increase of 32% in costs. The cost per permanent employee rose from £649 to £874 between these years. The distribution by department of cost increases and cost per employee is shown in Diagram C(vi).

20. As well as providing Giro facilities, the Post Office acts as an agency for the payment of benefits, the sale of national savings and the collection of Vehicle Excise Duty. In the case of the Department of Health and Social Security, this constitutes its second largest area of expenditure. Economies in the field of social security benefit payments are currently the subject of a Rayner scrutiny. In the Department for National Savings, Post Office agency charges account for one-third of its annual budget.

21. Other agency services include contract cleaning, agency typists, security services, telephone operators and computer consultants. The use of these services, as opposed to in-house staff, depends on their relative cost and efficiency.

Other non-office expenditure

22. The cost of land, vehicles, plant and equipment has remained constant at 3% of total expenditure over the last two years, during which time there has been a 16% rise in costs - lower than that of any other item included in the returns. The distribution by department of cost increases is shown in Diagram C(vii); cost per employee is not appropriate to this item of expenditure.

Departmental comments on the exercise

23. Most Ministers - particularly those responsible for the major departments - considered the exercise useful and one which, by giving a broad-brush illustration of expenditure and the deployment of resources, adds to the climate of cost consciousness. However, in the case of some of the smaller departments there were doubts whether their knowledge of costs or value for money had been improved, and concern about the heavy demand that compiling the figures made on their resources. A number of departments, of all sizes, commented that the exercise was an extension of the wide-ranging reviews of administrative costs that they already carried out at intervals.

24. There was general agreement that the greatest benefit from the exercise lay in it being a starting point for further analysis, with departmental aggregates being broken down into organisational units. The useful "burrowing beneath the surface" which the figures had prompted was producing additional management information which was expected to lead to further economies and increased general efficiency in departments. However, with a high proportion of total expenditure on wages and salaries, the scope for savings lay mainly in reductions in staff numbers, and to a lesser extent in detailed housekeeping.

25. Although Ministers endorsed the value of the exercise generally, they pointed out that comparing cash expenditure over three years made it difficult to separate increases from the effects of inflation from volume changes, and argued for a comparison at constant prices. This is not, of course, to deny the need for regular monitoring of cash costs, a point which Sir Derek emphasised in setting up the exercise.

TABLE. TOTAL EXPENDITURE

DEPARTMENT	1978/79 ACTUAL COSTS			1979/80 FORECAST OF OUTTURN			1980/81 ESTIMATE			1979-80 - 1980/81 INCREASE/DECREASE		
	Average Numbers	£'M	Cost per Employee	Average Numbers	£'M	Cost per Employee	Average Numbers	£'M	Cost per Employee	Average Numbers	£'M	% (Note 2)
DEFENCE	267507			262901	1878	£ 7143	255623	2277	£ 18907	- 7278	+ 399	+ 21
FOREIGN AND COMMONWEALTH OFFICE	17479			17255	240	13910	16743	281	16763	- 512	+ 41	+ 17
OVERSEAS DEVELOPMENT ADMINISTRATION	2375			2266	32	14222	2127	41	19045	- 139	+ 9	+ 28
AGRICULTURE FISHERIES & FOOD	14039			13861	167	12052	13544	199	14683	- 317	+ 32	+ 19
INDUSTRY	9479			9343	99	10548	9014	126	13916	- 329	+ 27	+ 27
TRADE	7644			7368	100	13565	7180	129	17981	- 188	+ 29	+ 29
ENERGY	1305			1270	23	18324	1305	29	22411	+ 35	+ 6	+ 26
EMPLOYMENT	24062			21794	162	7405	25031	214	8558	+ 3237	+ 52	+ 32
MANPOWER SERVICES COMMISSION	25919			26199	262	10013	25856	325	12583	- 343	+ 63	+ 24
TRANSPORT	14347			13714	180	13087	13793	236	17092	+ 79	+ 56	+ 31
ENVIRONMENT	12652			12134	165	13631	11297	219	19395	- 837	+ 54	+ 33
PROPERTY SERVICES AGENCY	36699			35199	346	9838	32396	412	12707	- 2803	+ 66	+ 19

TOTAL EXPENDITURE (Continued)

HOME OFFICE	34368		35557	489	13763	36191	633	17495	+ 634	+ 144	+ 29
LORD CHANCELLOR	10180		10023	133	13277	9993	173	17326	- 30	+ 40	+ 30
EDUCATION AND SCIENCE	2704		2646	34	12644	2525	40	15855	- 121	+ 6	+ 18
ARTS AND LIBRARIES	1136		1125	13	11359	1146	14	12230	+ 21	+ 1	+ 9
HEALTH AND SOCIAL SECURITY	97284		96655	882	9125	96401	1132	11746	- 254	+ 250	+ 23
TREASURY	1060		1065	15	14172	1046	19	18254	- 19	+ 4	+ 27
CUSTOMS AND EXCISE	28770		27924	258	9218	27084	321	11864	- 840	+ 63	+ 24
INLAND REVENUE	84962		81464	619	7598	77990	763	9784	- 3474	+ 144	+ 23
NATIONAL SAVINGS	10788		10422	106	10180	10044	144	14342	- 378	+ 38	+ 36
CIVIL SERVICE	_____	NA	3504	47	13419	3523	59	16772	+ 19	+ 12	+ 26
STATIONERY OFFICE	6767		6454	70	10904	_____	(Note 1)				
SCOTTISH OFFICE	_____	NA	11010	129	11732	10905	164	15012	- 105	+ 35	+ 27
WELSH OFFICE	2574		2549	24	9421	2444	29	11834	- 105	+ 5	+ 21
NORTHERN IRELAND OFFICE	242		242	6	23855	275	8	28520	+ 33	+ 2	+ 33
PAYMASTER GENERAL	855		895	8	9085	929	11	12119	+ 34	+ 3	+ 38
OTHERS	25687		26286	262	9967	26574	338	12721	+ 288	+ 76	+ 29
TOTAL	740884	NA	734671	6679	9091	720979	8336	11562	-13692	+1657	+ 25

(Note 1)

(Note 1)

NOTES

1. Excludes Stationery Office - Trading Fund 1980/81

2. In some instances where rounded figures give distorted results percentages based upon actual figures

3. Calculations based upon actual (not rounded) figures



[Blind copy:
Mr Pattison]

C. J. M. Med
S

CABINET OFFICE

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

18 December 1980

The Rt Hon Paul Channon MP

Paul

will request if required

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. As I think you know, Richard Wilding wrote to me very helpfully on 5 December, enclosing a draft covering note and a draft paper for Ministers. This is to let you have my comments on presentation of the data; the substance and implications of the results; and publicity.

Presentation of the data

2. The main message of the exercise obviously needs to be supported by a clear presentation. Like David Young, I think the simple pie-charts in Diagrams A and B a good demonstration of total running costs and of their breakdown by item and have no further comments on them.
3. I have some difficulty with the "bar graphs" in Diagram C, illustrating the percentage increase in costs by department. This is because the data shown cannot be presented in the classical graph form. Diagram C is an attempt to convert a simple list into something visually more telling, immediate and memorable, but I do not think that it really helps to put the one variable on the horizontal axis and numbers of departments on the vertical axis.
4. Like David Young, I think one needs to bring out:
 - a. the scale of proportionate increases in the various costs; and
 - b. how each particular department has fared.
5. With that in mind, I suggest a "thermometer" approach as a variant on the "bar graph", as shown in the enclosure (not copied to all).

6. I have no comments on the tabular presentation in the Annexes.

Substance and implications of the results

7. I very much agree, as you would expect, with the proposition that the review should be repeated next year. Indeed, the results - in terms of the general feasibility of the exercise and of the importance of its data - go well beyond my expectations.

8. I also agree that there should be continuing work to develop the reliability of the data; to improve relevant information systems; and to clarify the handling of the data for MOD. Although I have not been specifically asked yet, let me save another piece of paper by saying that, if you want me to help officials as suggested in para. 7 of the covering note, I should be glad to do so. Depending on his availability, you might think it right for David Young to be associated with this work also.

9. The drafts seem to me surprisingly calm in their treatment of the percentage increases in costs, including

- a 25% increase in total running costs (paras. 5 and 7);
- a 24% increase in wages and salaries (para. 10);
- a 21% increase in personnel overheads (para. 13);
- a 21% increase in accommodation services (para. 15);
- a 30% increase in office services (para. 18).

10. It is true that this year's exercise must be regarded as rough edged, but the suggestion that, "Care must be taken is drawing conclusions from the information obtained" (para. 2), misses the point. This is, surely, that questions must be asked, generally of the Service as a whole and in relation to particular items of cost and particular departments (on which I welcome the reference to CSD activity in para. 2 of the covering note). The questions I think must be asked are these:

a. What proportion of public expenditure under the Government's own hand does running expenditure represent? Seen in that light, I suppose that it represents a more solid block of expenditure than the 10% or so which is often quoted as a proportion of total public expenditure funded by Government.

b. How do the proportionate increases in costs shown compare with inflation?

c. What accounts for the changes? Some explanation is given on some items, but not enough, I think.

d. Are the changes regarded as acceptable, inevitable, inexorable or immutable? I must say that I would regard them, in business, as being at a wholly unacceptable level.

e. And a related question, do the data suggest that the cost of Government is under control?

11. I think it important that the paper should not appear detached in its treatment of the data. The argument that the scrutiny has been interesting, somewhat burdensome and defective (paras. 23, 25 and 26) needs a more vigorous rebuttal than that given in paras. 24 and 25, since the sums at issue (£5.2b for wages and salaries and personnel overheads and £2b for other costs) are enormous by any standard. So I should like to see the paper draw a clear distinction between the implications of the scrutiny for

a. the mechanics of the next exercise; and

b. policy for controlling the cost of Government.

12. On the policy for controlling costs, I think that the paper should make it very clear that

a. simply running Government is big business;

b. Ministers are in this business, whether they like it or not; and

c. a very determined cost-reduction policy is needed, for example, in relation to "good house-keeping".

13. On points 12a and b above, I must say very frankly that a disdainful reluctance to take seriously items costing millions, because Government budgets run into tens of millions, is something I find shocking: it is very difficult for the wealth-creating sectors of the nation to produce an extra million pounds of added value, while it is easy for millions of Government administrative expenditure to add up to tens of millions, particularly across the range of departments. It is salutary to think about and recognise the meaning of such figures as those in the Department of Trade:

- Total administrative expenditure, £129m

- Increase since 1979-80, 29% comprising:-

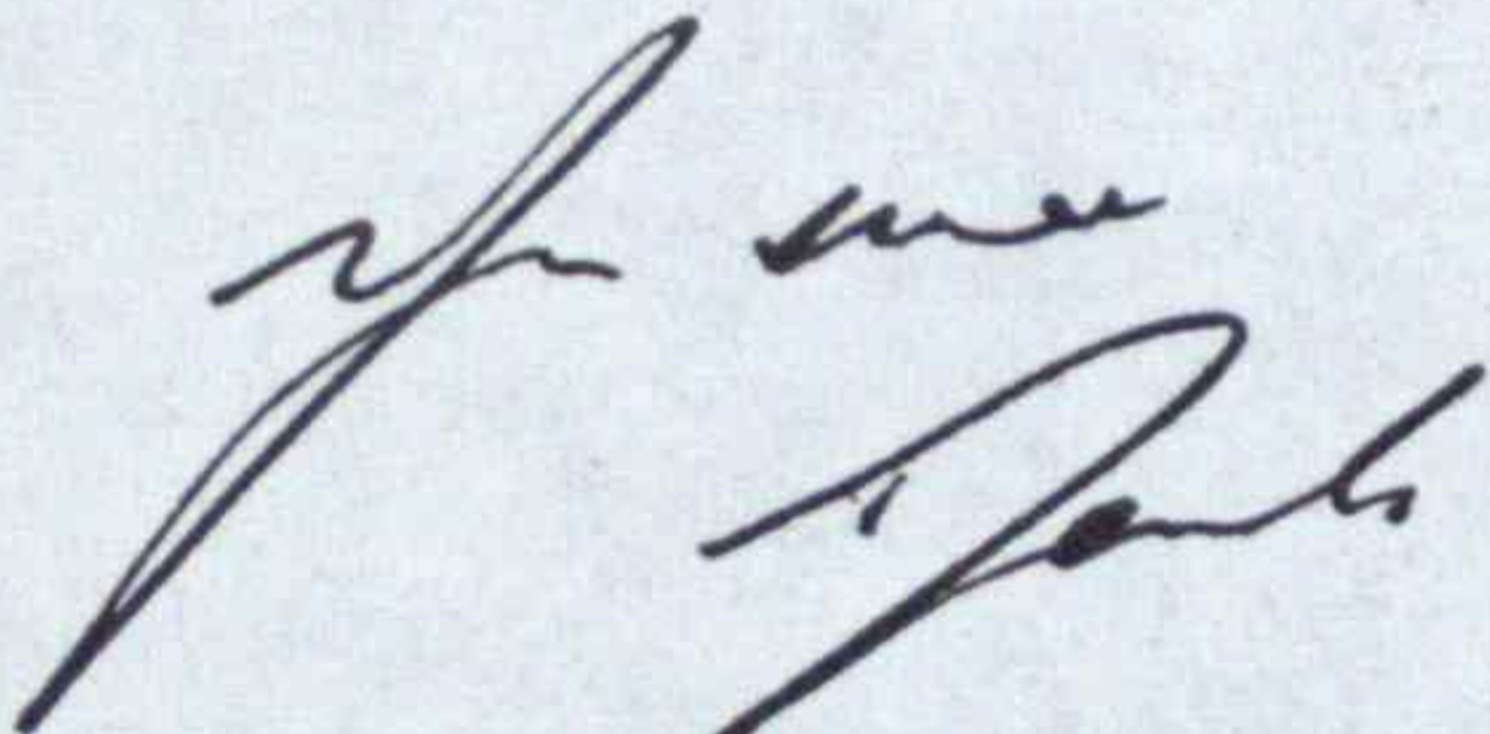
Wages and salaries, + 27%
Personnel overheads, + 14%
Accommodation, + 42%
Office services, + 32%
Other services, + 28%

14. On point 12c above ("good house-keeping"), I am more than willing to give you such support as I can and would welcome a talk about this.

Publicity

15. Clive Priestley has already commented on this in his letter to Richard Wilding of 8 December and I have nothing to add, save to confirm that, in my view, the public interest would be greatly served by maximum publicity for the exercise; its findings, whatever the bumpiness of the pilot run; and what is to be done next.

16. I am copying this to Christopher Soames and Ian Bancroft in addition to earlier addressees.

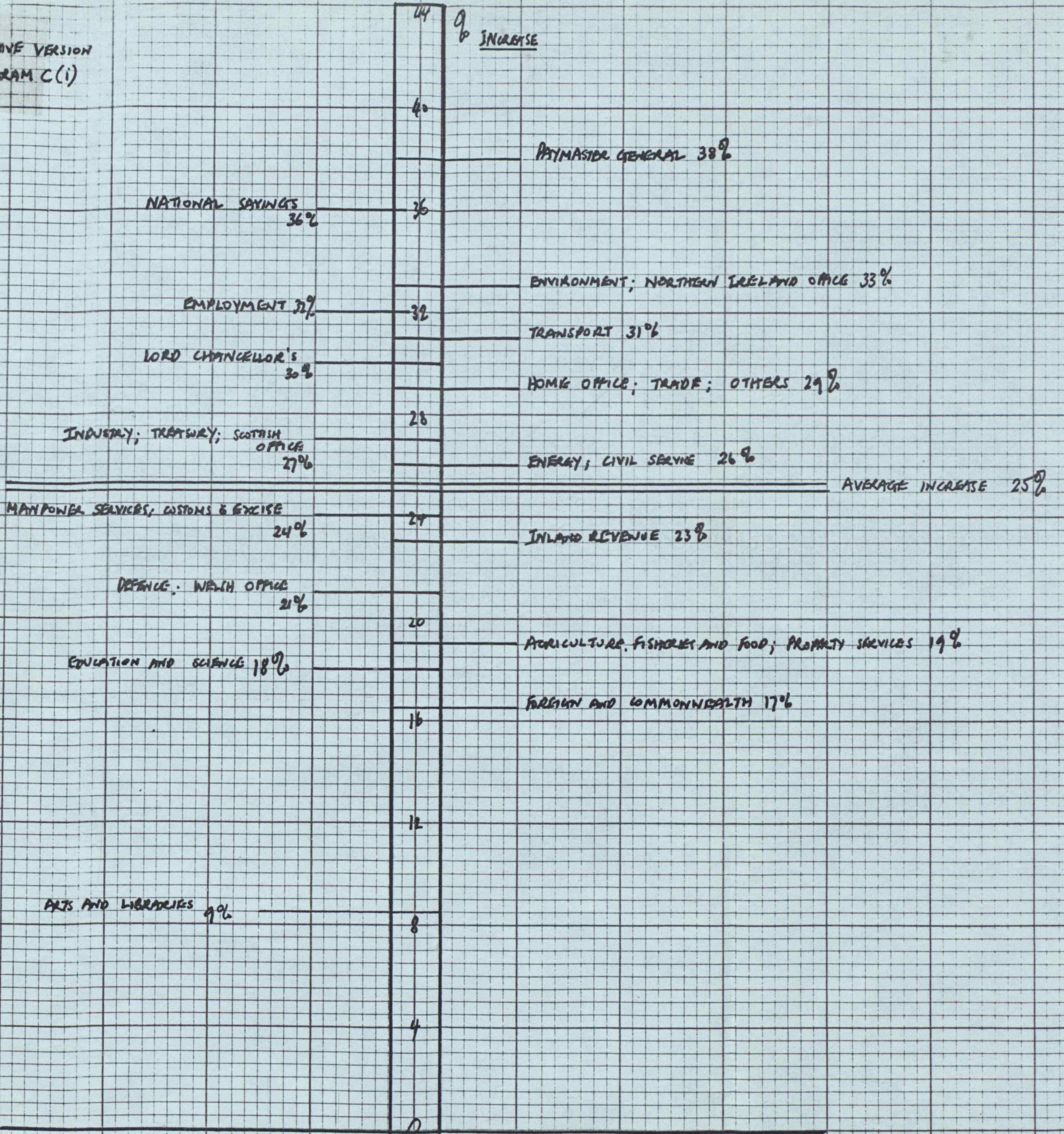


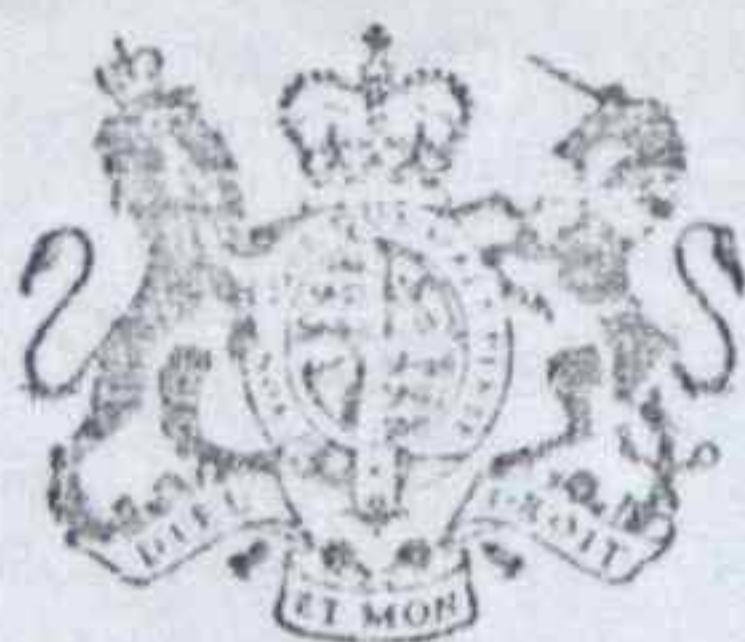
Derek Rayner

Enc: Variant of Diagram C(i)

ALTERNATIVE VERSION
O. RAM C(i)

44
% INCREASE





✓ MJD

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
LONDON
SW1A 2AZ

10 November 1980

Dear Paul,

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

Thank you for your letter of 30 October in which you reminded me of your request for a return of my departmental costs in the form set out in Sir Derek Rayner's letter of 22 February last. I understand that our table of costs was sent to your officials early in August: if it has gone astray we should be glad to provide a further copy. Meanwhile, perhaps I could take this opportunity to let you have my general views on the exercise and to enclose a set of notes on the key points arising from our own accounts.

Naturally, it would be difficult for me, with such a large Department, to look closely at all the detail of my management costs. We rely on a comprehensive management information system for the control of Social Security operations, and I have instituted a tight regime for Ministerial oversight of manpower (which you were good enough to draw to the attention of other colleagues in your letter of 8 September to Willie Whitelaw). Nevertheless, I accept that returns on the lines suggested by Sir Derek Rayner can be a useful tool for Ministers in keeping track of major elements of their departmental overheads and, when aggregated across Whitehall, provide useful insights on trends in the overall cost of central government. So far as the DHSS is concerned, the new return is not an entire novelty, since we have always made an analysis of administrative costs in order to apportion them between Vote Services and operations carried out on behalf of the National Insurance Fund.

I would therefore agree that this year's pilot exercise should be continued, though it may need some further development and refinement. In particular, I have found it indispensable for the tables of comparative annual costs to be provided at constant as well as current prices. It is only when the general effect of inflation is removed that there is any ready means of identifying underlying trends and pinpointing areas where increasing real costs call for special attention. I think that this is particularly important for Ministers looking at these costs: they

E. R.

cannot (and should not, in my view) immerse themselves in detail and should seek to intervene only exceptionally. The important thing so far as Ministers are concerned is that the whole process of management accounting, from top to bottom, should be seen to be backed by their personal interest and authority.

There is one further point. If we do decide to continue these accounts of departmental running costs on an annual basis, I hope that it will be possible to bring them into closer relationship with the normal process of departmental accounting. If they are continued as a completely separate exercise it will inevitably require greater effort to produce them.

I am copying this, without the enclosures, to the other recipients of your letter of 22 April.

Your ever
Patrol



Minister of State

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

8 pps
✓ *MA* (covers all 8)
Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000
Cost Mach

30 October 1980

Dear Geoffrey

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

Unfortunately, only just over half the returns have been received to date. The intention is that a paper should be ready for discussion at Cabinet in the latter part of November. If returns are delayed beyond the end of this month, the timetable for all this is put at risk.

May I therefore ask you to let me have your return within the next day or two? If necessary, the table of costs could be sent in advance of your own covering commentary, so that the work of analysing the returns can begin.

Y
Paul
PAUL CHANNON



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Norman Fowler MP
Minister
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

30 October 1980

Dear Norman,

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

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May I therefore ask you to let me have your return within the next day or two? If necessary, the table of costs could be sent in advance of your own covering commentary, so that the work of analysing the returns can begin.

PAUL CHANNON

*V
msj
P*



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon William Whitelaw CH MC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

30 October 1980

Jim Willie,

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

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May I therefore ask you to let me have your return within the next day or two? If necessary, the table of costs could be sent in advance of your own covering commentary, so that the work of analysing the returns can begin.

PAUL CHANNON

W
ms
Paul



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

30 October 1980

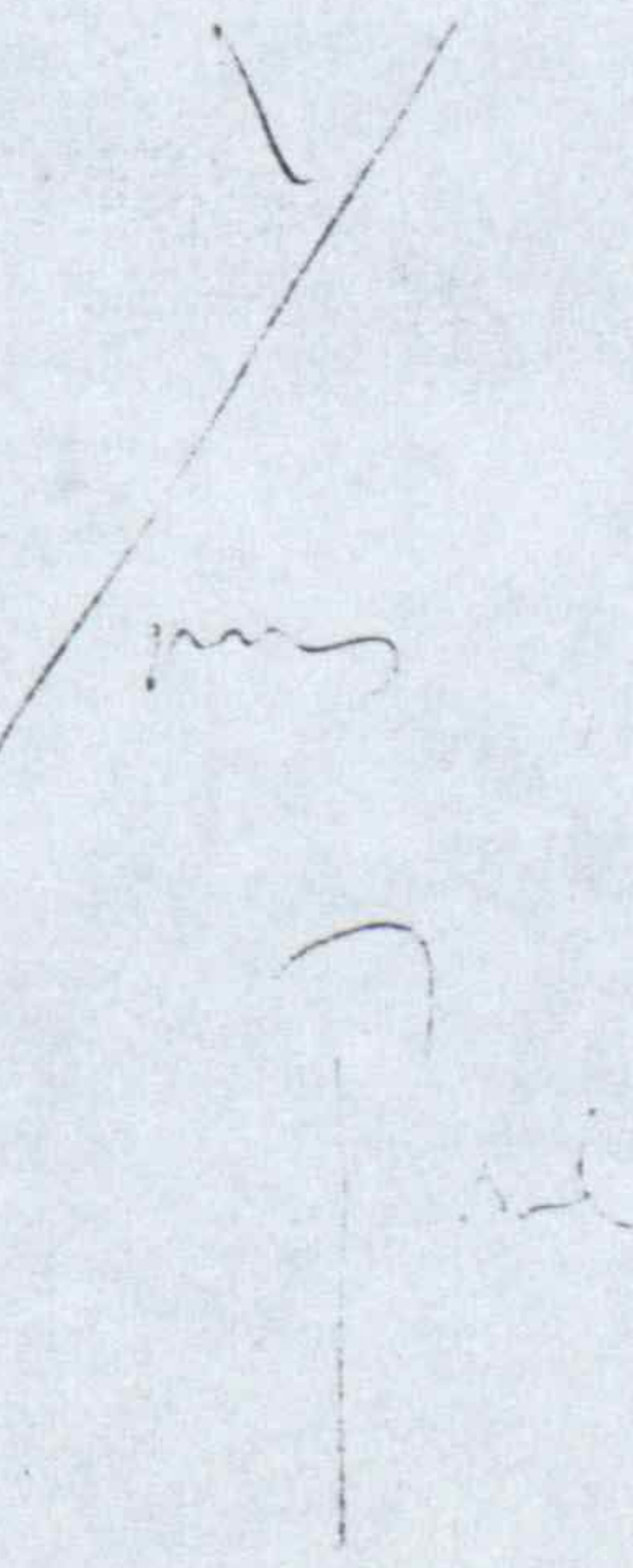
ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

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PAUL CHANNON





Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Sir Michael Havers QC MP
Attorney General
Law Officers' Department
Attorney General's Chambers
Royal Courts of Justice
Strand
LONDON WC2A 2LL

30 October 1980

Dear Michael,

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

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May I therefore ask you to let me have your returns within the next day or two? If necessary, the table of costs could be sent in advance of your own covering commentary, so that the work of analysing the returns can begin.

V
ms

PAUL CHANNON

Paul



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Patrick Jenkin MP
Secretary of State
Department of Health
and Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1 6BY

30 October 1980

Dear Patrick

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

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PAUL CHANNON

Paul



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon James Prior MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON SW1H 9NA

30 October 1980

Dear Jim,

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

When I wrote to you on 22 April asking if you would complete the return of your departmental costs as set out in Sir Derek Rayner's letter of 22 February I asked that all returns should be with me by the end of September so that my officials could compile a statement on the cost of central government, which it was agreed should be prepared for Cabinet.

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May I therefore ask you to let me have your return within the next day or two? If necessary, the table of costs could be sent in advance of your own covering commentary, so that the work of analysing the returns can begin.

Yours,

PAUL CHANNON

Paul



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Lord Hailsham of
St Marylebone CH FRS
Lord Chancellor
Lord Chancellor's Department
House of Lords
LONDON SW1A 0PW

30 OCTOBER 1980

Jean Quinlan

ANNUAL SCRUTINY OF DEPARTMENTAL COSTS

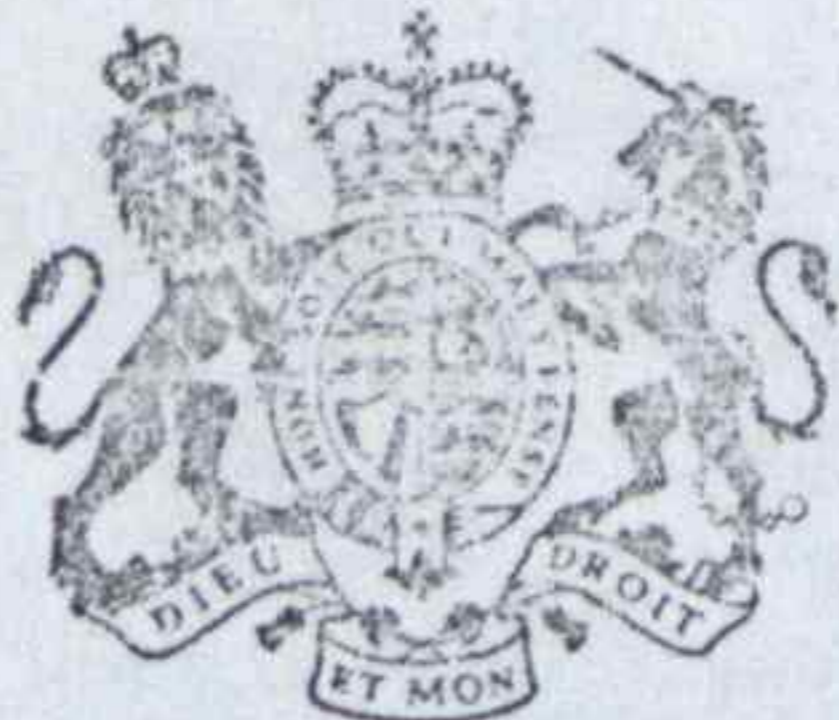
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PAUL CHANNON

Paul



10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY
CIVIL SERVICE DEPARTMENT

cc MMT
CO
Sir DR

HS

1. ^{now} CAW to see
2. NA

MR 27/ X

Annual Scrutiny of Departmental running costs

The Prime Minister looks forward to receiving the first summary of returns made by Ministers in a few weeks' time. She believes that, once these are available to colleagues, there would be much to be said for a visual demonstration of both the sum total of administrative expenditure and particular items within it.

This would help bring home the rate of increase in the total and the opportunities for reducing costs when they arise. The Prime Minister understands, for example, that the cost of a single telephone extension in Old Admiralty Building is £224 a year and that the cost of Post Office services for the average desk officer is £500 a year.

Such costs and others (e.g. photocopying and accommodation services) might be illustrated by means of a small exhibition, here in No. 10, which Ministers could examine when they assemble for meetings.

The Prime Minister would be grateful if the Lord President of the Council and Sir Derek Rayner would arrange for such a demonstration to be prepared for her approval. The precise format will have to be decided in the light of the space available here. I should be glad to have a word with whoever will be putting together the demonstration.

I am copying this minute to John Wiggins (H.M. Treasury), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

M. A. PATTISON

27 October 1980



Govt Machinery
✓
MP

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Paul Channon Esq MP
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

6 June 1980

Dear Paul,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

You sent me a copy of your letter of 22 April to Willie Whitelaw: in it you asked all Departments for an analysis of their costs on the lines suggested by Sir Derek Rayner in his letter of 22 February.

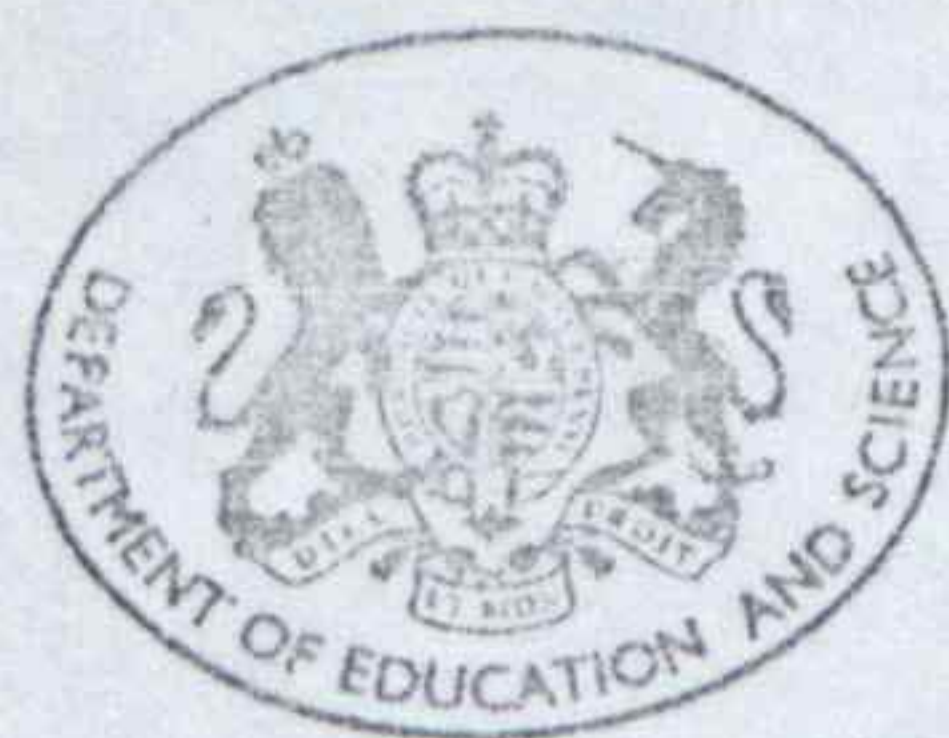
As you will appreciate, the analysis will not be straightforward owing to the wide span and nature of the Departments making up the Scottish Office. I have, however, set the costing operation in hand though, with an eye to economy of effort, we are aiming at an unsophisticated initial return to you by September.

The benefits which the exercise may bring would be enhanced by a relatively standard approach. I hope that your people will agree with other Departments a reasonably uniform treatment of debatable items of cost, of a kind which early work is revealing.

I am copying this letter to those who had copies of yours.

Yours sincerely,

Cunneen



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

Paul Channon Esq MP
Civil Service Department
Whitehall
LONDON
SW1A 2AZ

✓ MNP

29 May 1980

Dear Paul,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for sending me a copy of your letter of 22 April to Willie Whitelaw in which you asked for an analysis of my Department's costs, together with a commentary, in the form suggested by Sir Derek Rayner in his letter of 22 February.

As you will recognise, there will inevitably be some rough edges in the first year of this exercise and we shall not be able to do all the breakdowns that might ideally be useful. However, I expect to let you have the return and commentary you need in good time and in the form proposed by Sir Derek.

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

Yours ever

Mark

MARK CARLISLE



with compliments

✓
MAP

MINISTER OF STATE

CIVIL SERVICE DEPARTMENT
Whitehall London SW1A 2AZ

Telephone 01-273 5563/4086



Minister of State

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

The Rt Hon Humphrey Atkins MP
Secretary of State
Northern Ireland Office
Great George Street
LONDON SW1P 3AJ

22 May 1980

Dear Humphrey

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of earlier this month. I quite take your point that a simpler form of analysis than that proposed by Sir Derek Rayner in his letter of 22 February would provide you, more economically, with what you need to know to ensure that your Department is managed effectively. As you know, Christopher Soames and I have a remit from Cabinet to report on the total cost of government and it is of course important that we should get a sufficiently consistent set of figures on departmental costs from all departments. I should therefore like to suggest that our officials should talk to yours to ensure that your analysis is in line with our more general needs. We will be getting in touch, at official level, shortly.

I am copying this to the recipients of the earlier correspondence.

PAUL CHANNON

*Y
Jue*



SECRETARY OF STATE
FOR
NORTHERN IRELAND

Paul Channon Esq MP
Civil Service Dept
Whitehall
LONDON SW1

Dear Paul,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for sending me a copy of your letter of 22 April to Willie Whitelaw in which you asked for an analysis of the NIO's costs, together with a commentary, in the form suggested by Sir Derek Rayner in his letter of 22 February.

I have already explained to Sir Derek Rayner that I am not sure about the merits of displaying detailed departmental costs in the ways he originally suggested: a simpler form of analysis may provide me, more economically, with what I need to know to ensure that my Department and the related Departments of the Northern Ireland Civil Service are managed effectively. He for his part has accepted that there is no single way of tackling the subject.

I will let you have by September figures and commentary based on the system I eventually decide to set up. It will be within the spirit, if not the letter, of Sir Derek Rayner's proposals.

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

Yours as

Philip Mayne

VMA
NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

8 May 1980

HIDDEN CC:

PS/SofS (B)
PS/PUS (L&B)
PS/Mr W E Bell
Mr Shimeld
Mr Mayne

✓ ~~MAP~~ Govt. Mach.

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

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

7 May 1980

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 22 April. You asked me to ensure that my Department's three Agencies - Health and Safety Commission/Executive, Manpower Services Commission, Advisory, Conciliation and Arbitration Service - analyse their costs along the lines set out in Sir Derek Rayner's note 1. They will be following the proposals in his note and I will submit their returns with mine. They may not be able to fit in exactly with the headings but, as Sir Derek recognises, there are bound to be some rough edges in the first year.

I am glad that you have been able to put back the date for submissions until the end of September at the latest as this is the first year.

I am copying this letter to recipients of yours.



Minister of State

Copy Made ✓ MAD

Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

22 April 1980

The Rt Hon William Whitelaw CH MC MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON SW1H 9AT

Jean Willie

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Sir Derek Rayner wrote to you on 22 February with advice on how to implement Cabinet's decision that departmental Ministers should examine the cost of running their departments. In paragraph 29 of his Note 1, circulated with his letter, he mentioned that I should like to receive from Ministers copies of the analyses of their departments' costs. This will enable me to fulfil the remit from Cabinet to produce an annual statement on the cost of running central government.

I am now writing to confirm that I should be glad to have a return for each department in the form set out in the table annexed to Sir Derek Rayner's Note 1. This should be accompanied by a commentary summarising the nature of the scrutiny which has been carried out and the consequent action which it has been decided to take. It would be helpful if colleagues could refer in this commentary to any supplementary information (for example, of the kind referred to in paragraphs 19 and 22-26 of Sir Derek's Note) which was called for and found particularly useful, and if they would let me have any general observations on the exercise which they would like to make. The returns and commentaries I receive will form the basis of the report to Cabinet.

It will be important that all departments, including the smaller ones, should be covered by the scrutiny exercise in order that the cost of central government statement should be comprehensive. I would be grateful if all those responsible for the smaller departments (list attached) would ensure that they too analyse their costs along the lines set out in Sir Derek Rayner's Note 1.

In a number of cases services are provided for one department by another. In these circumstances the cost of the services will be shown in the analyses of both departments. In order to avoid double counting in the Cost of Government statement, I should be grateful if departments could indicate by a footnote all instances where services are provided by another department, whether on allied service or repayment terms.

The scrutiny exercise in 1980-81 can be regarded as a pilot run and has a longer timetable than will be the case in subsequent years. I do not therefore need to receive returns from Ministers until the end of September (at the latest). Of course it would be helpful to have them earlier if that is possible. In future years it will be necessary to receive them by the beginning of June.

I am copying this letter to Sir Derek Rayner, to the other recipients of his letter of 22 February, and to the Attorney General and the Lord Advocate. As the Attorney General and Lord Advocate will not have received a copy of Sir Derek's letter I am copying that also to them.

V
/ms ,

PAUL CHANNON

Paul

SCRUTINY OF DEPARTMENTAL COSTS: MINISTERIAL RESPONSIBILITY
FOR DEPARTMENTS

MINISTER OF AGRICULTURE, FISHERIES AND FOOD
Ministry of Agriculture, Fisheries and Food
Intervention Board for Agricultural Produce

ATTORNEY GENERAL
Law Officer's Department
Director of Public Prosecutions

CHANCELLOR OF THE DUCHY OF LANCASTER
Office of Arts and Libraries
V & A and Science Museums

CHANCELLOR OF THE EXCHEQUER
Treasury
Customs and Excise
Inland Revenue
Department for National Savings
Exchequer Office, Scotland
National Investment and Loans Office
Registry of Friendly Societies
Royal Mint
Treasury Solicitor
Crown Estate Office

SECRETARY OF STATE FOR DEFENCE
Ministry of Defence
Royal Ordnance Factories

SECRETARY OF STATE FOR EDUCATION AND SCIENCE
Department of Education and Science

SECRETARY OF STATE FOR EMPLOYMENT
Department of Employment
Health and Safety Commission/Executive
Manpower Services Commission
Advisory Conciliation and Arbitration Service

SECRETARY OF STATE FOR ENERGY
Department of Energy

SECRETARY OF STATE FOR THE ENVIRONMENT
Department of Environment (including Property
Services Agency)
Ordnance Survey

SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH AFFAIRS
Foreign and Commonwealth Office (including Overseas
Development Administration)
Government Communications Headquarters

SECRETARY OF STATE FOR THE HOME DEPARTMENT
Home Office
Charity Commission

SECRETARY OF STATE FOR INDUSTRY
Department of Industry

LORD ADVICATE
Lord Advocate's Department
Crown Office and Procurator Fiscal Service

LORD CHANCELLOR
Lord Chancellor's Department
Land Registry
Public Trustee Office
Public Record Office

LORD PRESIDENT OF THE COUNCIL
Civil Service Department
Central Office of Information
HM Stationery Office
Civil Service Pay Research Unit
Government Actuary's Department
Privy Council Office

SECRETARY OF STATE FOR NORTHERN IRELAND
Northern Ireland Office

PAYMASTER GENERAL
Paymaster General's Office

SECRETARY OF STATE FOR SCOTLAND
Scottish Office
Scottish Courts Administration
General Register Office, Scotland
Registers of Scotland
Royal Scottish Museum
Scottish Record Office

SECRETARY OF STATE FOR SOCIAL SERVICES
Department of Health and Social Security
Office of Population Censuses and Surveys

SECRETARY OF STATE FOR TRADE
Department of Trade
Export Credits Guarantee Department
Office of Fair Trading

MINISTER OF TRANSPORT
Department of Transport

SECRETARY OF STATE FOR WALES
Welsh Office



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

From the Minister

Sir Derek Rayner
Cabinet Office
70 Whitehall
London SW1 2AS

Dr
47

31 March 1980

Dr Derek

SCRUTINY OF DEPARTMENTAL COSTS

Thank you for sending me a copy of your letter of 22 February to William Whitelaw. I have arranged for the preparation of an "Expenditure Account", on the lines described in your first note, in time for the return and commentary to be sent to Paul Channon at the end of September.

When we have some experience of the "Expenditure Account" we shall be better placed to consider the question of developing our cost information on the lines set out in your second note which makes suggestions for the longer term.

I am copying this letter to the Prime Minister, other members of Cabinet, the Minister of State, CSD, and to Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass, Sir Kenneth Berrill and Mr K J Sharp.

es
Peter Walker

PETER WALKER



BF 4/3
MAP.

CABINET OFFICE

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

22 February 1980

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department
50 Queen Anne's Gate
London SW1

For Home Secretary,

THE SCRUTINY OF DEPARTMENTAL COSTS

(Earlier reference: Mr Whitmore's letter to Private Secretaries of 17 October) ✓

1. Cabinet decided last autumn that it should have an annual statement on the cost of government and that departmental Ministers should examine the cost of running their department.
2. This letter offers advice on how to proceed. Note 1, enclosed, deals with the scrutiny of costs and is the basis for action now. Also enclosed is a paper (Note 2) which sets out my personal views on the sort of full departmental account of assets, costs and receipts which I regard as the goal to be reached in due course and towards which I regard Note 1 as an interim step. Note 2 is for information, not action.

General

3. The management of resources in government tends in my experience to be an amalgam of macro-economics and cash accounting. The purpose of Note 1 is, by contrast, to help Ministers to develop management accounting appropriate to the place they occupy at the top of their organisations.
4. Like other top managers, Ministers have to delegate much of the day-to-day responsibility for ensuring that resources are used effectively and that claims for extra resources are justified and cannot be met elsewhere. But so that delegation is not abdication, Ministers want information which enables them to survey and appraise their costs, notably but not only in the PESC/Estimates cycle, and to dig down selectively throughout the year.

5. They also need appropriate staff support. In my view, those best qualified to examine the consumption of resources on behalf of Ministers and their Permanent Secretaries are people with professional training in management accountancy. I believe that a Minister and his Accounting Officer should be served in the capacity of Principal Finance Officer by the kind of man or woman who in the private sector has overall responsibility for the financial affairs of his company. This would represent a change in the basic concept, but I make no apology for this. I regard it as especially important because the range of responsibilities carried by the typical Accounting Officer is usually very wide and formidable and he will not be able to go into all departmental expenditures in detail nor personally follow up all the questions that will be raised. It is therefore essential in my judgment that in dealing with the scrutiny of costs Accounting Officers are increasingly served by experienced accountants who have direct access to them and that these accountants have staff who are numerate and carry sufficient authority to probe in depth in any area where in their view it is imperative to ask more questions.

6. It will be said with some truth that awareness of costs has not necessarily in the past brought expenditure under control nor eliminated the desire of some departments to have what they would like without regard to cost. This will continue to be inevitable as long as there remains a lack of awareness and of involvement by senior people in making sure that the resources available are used to the best advantage. It will also continue if there is no real penalty for those who are extravagant, providing the rules have been obeyed and budgets not exceeded.

Scrutiny of departmental running costs - the "expenditure account" (Note 1)

7. I have consulted the Secretary of State for the Environment, the Chief Secretary and the Minister of State, CSD, in preparing Note 1. Agencies responsible to them will supply departments with some of the data required, while the CSD is ready to help departments in giving effect to the proposals contained in it. I am grateful to these Ministers for this.

8. The first year in which departmental costs are scrutinised in the way suggested in Note 1 is bound to be a little rough and ready, with some gaps in the information available to Ministers. I suggest we accept this and that, in setting up the proposed system, it is essential to ensure that the best is not made the enemy of the good nor that it becomes an annual ritual which accepts that extra expenditure is permissible because of slippage in timing or accelerates activity by costly overtime to keep in line with forecasts.

9. I should like to stress two points. First, in developing means of informing themselves Ministers should not in my view feel constrained to follow the strict rules of cash accounting but should instead use approximation where necessary: orders of magnitude and a picture of the movement of costs are what is necessary. It is essential also that in the first instance the information presented to Ministers is sufficiently brief and clear so that the relevant questions will come easily to mind. Ministers will need to seek further information to answer some of these questions. The back-up data lying behind what is first put to Ministers must therefore be of a kind which enables such questions to be answered.

10. Secondly, the enclosed Note 1 discusses information for the annual scrutiny by departmental Ministers on which Cabinet agreed. But I am sure that in present circumstances and for the foreseeable future Ministers will need some of it more than once a year if they are to assure themselves that the substance and movement of costs are according to plan. I recommend that Ministers set aside time each month for the examination of some part of the resources they use or have in their keeping.

11. Ministers in charge of departments will no doubt want to take the lead themselves at PESC and Estimates. But it may be helpful to them and to their junior Ministers to look to one or more of their Ministerial team to continue the scrutiny throughout the year. That would increase familiarity with the data and with the issues against the time for deciding bids and forward plans for resources and enable Ministers to plan both for reducing costs and for the better use of those resources which do have to be consumed.

A full account of assets, costs and receipts (Note 2)

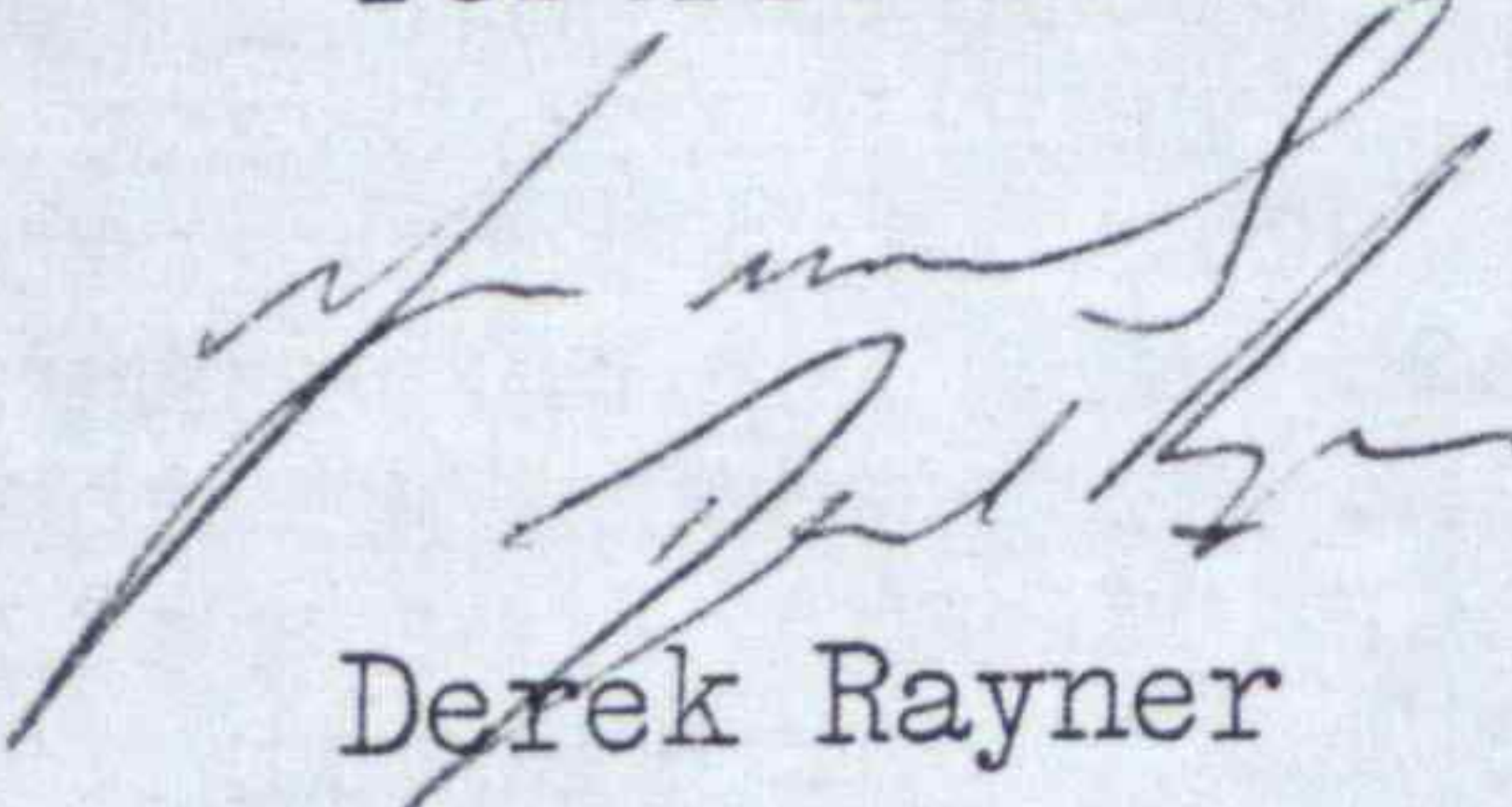
12. What I have termed the "expenditure account" is only a first but an important step towards providing cost information for Ministers. The enclosed Note 2, Thoughts on a departmental account, outlines very roughly the sort of account which might be the target to go for with the help of experience.

13. This would be an account for each Minister (and on this foundation for the Cabinet as a whole) of his costs, his receipts, if any, and the assets in his keeping. It will take a little time to produce such an account, because data on the value of land and buildings among other assets are not, I understand, readily to be had. So I should repeat that Note 2 is not intended to be and cannot be actioned now. I include it, however, to show the direction I believe the development of cost information should take.

Next steps

14. I hope that Ministers will be able to move ahead on the basis recommended in Note 1. If I can help I will do so gladly. I recognise that the arrangements proposed will mean some additional work, but I believe it can produce nothing but good since such extra effort as is required will be of positive advantage to Ministers and their departments.

15. I am copying this to the Prime Minister, your Cabinet colleagues, the Minister of Transport, the Minister of State, CSD and to Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass, Sir Kenneth Berrill and Mr K J Sharp. I ask for no restriction on its circulation.



Derek Rayner

Encs: Note 1 Annual scrutiny of departmental running costs -
the expenditure account
Note 2 Thoughts on a departmental account

NOTE 1

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I recommended last year and it was agreed that "each Minister in charge of a Department should at the appropriate point in the PESC/Estimates cycle, scrutinise the overheads of his Department as well as his staff costs". This is because in order to run anything, one needs first to know and then to question his costs. But I also believe that Ministers should avoid excessive detail - they are not in the business of accounting for the petty cash.

Scope of the information needed

2. This note is about providing and using information on the cost of having a Department, that is, of its staff, of its buildings and of supplying it with goods (eg stationery, furniture and equipment for scientific research) and services (eg water and electricity) which it uses. In offering it to Ministers, I acknowledge that some departments may already have sophisticated information systems, especially those which have Trading Funds; the latter should not, in my view, be excluded from the scrutiny, but it may be that their costs are already displayed in enough detail in their accounts for there to be no need to assemble them again as suggested below (paragraph 11) and in the Annex.

3. I also recognise that the detailed day-to-day responsibility for good management cannot and should not be exercised by Ministers themselves but by their officials. However, officials' authority for making good use of manpower, goods and services is delegated to them by and they discharge it under and on behalf of Ministers. I see the peculiar responsibility of Ministers here most clearly represented by two inalienable tasks, approving their Estimates of Expenditure and satisfying themselves, by selective examination, that the manpower, goods and services used in their name are used efficiently and well.

4. It may not at first be clear what information on the cost of manpower, goods and services should include and exclude. I offer the following thoughts on this.

5. First, the information to be provided should be only for the manpower, goods and services used by Ministers in running their own operations and administration, ie those operational and administrative expenditures whose form, scale and deployment are under the direct personal control of Ministers. It may be helpful if I offer some comments in extension of that view:

a. I would exclude those "running costs" expenditures by such large public sector bodies as local authorities, the National Health Service and nationalised industries, since - although these are partly funded through departmental Votes - they are not under the Minister's personal control or within his management responsibility.

b. I would exclude grant-in-aid bodies, other than the Manpower Services Commission, Health and Safety Commission and the Advisory, Conciliation and Arbitration Service, since these are staffed by civil servants. I am writing to the Secretary of State for Employment about this. However, when in such cases the Minister's Accounting Officer is required to ensure that the body has an "appropriate financial regime", I recommend that it should be his responsibility also to assure himself that the head of that body has available to him a satisfactory management information system.

c. There may be problems of interpretation over the general aim, which is to include all relevant operational and administrative costs of the Minister's department. It might be argued that in some cases there is an unclear dividing line between, on the one hand, staffing, housing, maintaining and servicing a function and, on the other, the function itself. One example which has been mentioned to me is that of the Home Office's Prison Department, the question being where administration and "overheads" end and the function itself begins. I am firmly of the view that, for the purposes of the first year of this exercise, one need not strive to draw over-nice boundaries. In the case of the Prison Department, I would regard administration, "overheads" and function as forming a single cost centre and I would consider that all of this should be included as being part of the cost of running the operations of the Home Office.

d. By contrast, I would exclude expenditure not related to the operational management of the Department, even though it is spent on functions for which the Minister is directly responsible. Examples are intervention buying of agricultural produce, the development costs of Concorde and the government's contribution to teachers' superannuation. I would exclude also the cost of grants, loans or benefits to associations, organisations or individuals outside the department.

e. I understand that a particular problem may occur over agency or contractors' services. I suggest that where these are an essential part of the activity within the Minister's management responsibility, for example Post Office agency services, they should be included. However, where they go well beyond this (eg the use of local authorities as agents for trunk roads programme) they should be excluded.

f. I recognise that there may be special problems in the Ministry of Defence, owing to the difficulty of separating Civil Service from HM Forces costs.

6. Secondly, provided there is a broad consistency of treatment between departments, I do not think it matters much if in the first year in which Ministers scrutinise their departmental costs the exercise has rough edges and is to a degree experimental. I expect we shall all learn from the experience and I do not have a ready-made specification which will indicate with precision the exact scope and content of the data to be provided.

7. Thirdly, however, that "broad consistency" will be very much helped by the fact that it is already possible to specify with reasonable accuracy many of the constituent parts of a department's expenditure (see paragraph 11 below).

8. Fourthly, I suggest that the types of expenditure to be included should be determined not according to who pays, but who consumes. Whether or not repayment is introduced for those services currently provided on allied service terms, I suggest that Ministers will wish to manage their use and consumption of, for example, accommodation and PSA supplies as if they were a direct charge upon their Votes. Indeed I believe that the Treasury guide, Government Accounting, already asks departments so to behave. While the Property Services Agency is responsible for the management of the Government's

office estate as a whole, I see the consuming Departments as exerting a very powerful influence on the planning, allocation and control of such resources and, of course, as determining the total demand for them. Similarly, they determine the demand for other types of accommodation.

9. On this basis, I recommend that the information to be assembled should cover the following three broad categories of cost:

a. Those staff and other costs of running a department which are paid for out of its Votes and for which the Minister is accountable to Parliament.

b. The cost of those "supporting services" which are a charge upon the Votes of others and provided free to the department on allied service terms.

c. Those costs which do not entail actual expenditure by the department but which, I suggest, should nevertheless be taken into account when calculating the total cost to the taxpayer of running it. These costs are the pension and gratuity liability which accrue because staff are employed and the equivalent market rental of the offices the department occupies.

10. The Supply Estimates and associated tables provide some useful information on costs in those categories. But it is in my view an inadequate form for management purposes. For example, the information there given on "supporting services" is not presented on a departmental basis; the degree of detail about direct departmental costs is not sufficiently defined to enable the various components of the department's running costs to be managed individually; and the comparison with the previous year only does not offer an adequate span of time for effective monitoring.

Information about the Department as a whole

11. I have set out in the Annex relevant types of expenditure and the period the data should cover. The types are in brief:

- A. Staff (including pension and gratuity liability)
- B. Other services
- C. Personnel overheads
- D. Office and other accommodation costs
- E. Office services
- F. Other non-office expenditure

12. I recommend that all Ministers should have information prepared for them on this basis.

13. The costs are gross and expressed in money terms. Capital and current expenditures are separately identified (although in an ideal management information system capital expenditures would be displayed in an annualised form, depreciation and interest charges being the cost of the resources consumed each year).

14. In the case of services not paid for out of departmental Votes (paragraph 9b above), data on costs not already available to Ministers from within their own departments may be obtained from the Property Services and other agencies which supply those services. A list of contact points is given at the end of the Annex. If such costs are not at once available in the form required, they will be provided in the course of the coming year for incorporation in the schedule later. This procedure will apply to the PSA, Central Office of Information and Rating of Government Property Department and to HMSO and the CCTA in respect of expenditure before the move to repayment on 1 April 1980. It is another case where Ministers may need to accept that there will be some rough edges in the first year.

15. The cost of office accommodation (paragraph 11D above) can be charged at an equivalent market rental, by rental zones, whether it is leased or Crown freehold. This will put all departments on a comparable basis in monitoring accommodation costs. The cost of specialised buildings (Crown Courts, Prisons, Laboratories etc) is, I am informed, harder to assess. The PSA tell me that this is because there will often be no

market rent for such property and that it may be difficult to arrive at a capital value. In these cases, I propose, for the present, that only the capital cost of new construction undertaken each year should be shown. (Such projects will already have appeared in the department's PESC and will appear in Estimates.) For the future, it should be possible to devise a suitable method of capital valuation, possibly a form of depreciation based on initial or replacement cost. I have asked the PSA to advise me on this, as I am anxious that Ministers should have available to them a valuation of the capital assets in their hands. I intend to go separately into the questions of repayment for or attribution of PSA expenditure on behalf of user departments. The treatment of accommodation costs can accordingly be considered again in the light of the outcome.

16. I attach some importance to the question, covered by A in paragraph 11 above and the Annex, of how much pension liability as well as wage-salary and other cost liabilities a Minister accepts when he recruits staff. A career civil servant is a substantial investment from the moment he/she is taken on to the moment his/her working life ends, but pension liability is as much a cost of employing a civil servant as his/her pay. This point is covered by my recommendation on the inclusion of pension and gratuity liability at paragraph 9 above.

17. In case officials need help in interpreting the intended scope and coverage of the cost information, I have agreed with Mr Channon that they should write to Mr A R Williams, Manpower 1 Division, Civil Service Department.

Possible questions about the cost of the Department as a whole

18. In the first instance I suggest that information needs to be brought together and displayed for the department as a whole. It will provide Ministers with answers to such simple, but important questions as:

- What is the total cost of running my department now and how does it compare with costs in previous years?

- Which particular costs make a significant contribution to the total? What efforts is the department making to keep those under control?
- How much has inflation caused expenditure to rise and how is my department improving efficiency to off-set its effects?
- Are my non-staff costs moving in line with what would be expected in the face of changing staff levels?
- Where have I failed to achieve planned changes in my costs?
- Are the savings I am achieving merely at the margin or am I operating on the main bulk of my costs?

19. In addition to the information set out in the Annex, to provide Ministers with a feel for what they are buying for the taxpayer, I suggest that some of the expenditures should be supplemented vividly by notes on quantities, eg numbers of staff employed, square footage of office space, amounts of paper and energy consumed, numbers of staff trained, number of cars in the transport fleet.

20. I attach special importance to two things, firstly the level of staff wastage. If high, it means a significant wastage of resources, notably in the costs of recruitment, training and supervisory time, in addition to unrealised investment in wages and salaries. Similarly, it is necessary to give a clear breakdown of staff by grade. In my own business, I need to know how many managers, assistant managers, supervisors and sales staff we have and how many specialists, technologists and technicians. This is because, without careful scrutiny, the relative proportions of the various types of employee tend to change unpredictably and it is all too easy to make economies, not by cutting back on the numbers of senior grades, but on those whose jobs can most easily be measured.

21. Secondly, the cost of stocks. The "non-office expenditure" covered by paragraph 11 F above may include the purchase and storage of various kinds of stocks and stores. Where these include supplies that are expensive both to buy and to store, I suggest that it would be helpful to have a separate analysis to provide data on purchase and storage costs, so that Ministers can enquire why, for example, the level of purchase and stockholding has gone up or down.

Information about parts of the Department

22. Information about the department as a whole can only take Ministers part way along the road to effective management. To plan and control the costs of running their departments I suggest that they will need to ask, and to have information available to answer, such questions as:

- Why are the costs of particular items at the levels that they are and changing in the way they are?
- Where in my department do the cost of particular items mainly arise and the changes originate, eg HQ or Local Offices; Policy/Advisory or delivery of the services; desk staff or support staff?
- What is the rate of staff turnover or wastage, with particular reference to grades that matter to my operations?
- What grades does my staff consist of and in what numbers? Which are expanding or contracting and why? What change in the pattern of skills employed by my department does this represent and why?
- What is the cost to the department of running a particular programme?
- Are the staff and other costs of a particular programme moving in the same direction as my policy in relation to the programme? If not, why not?
- Where in my department have my economy drives failed to bite?
- How much have this year's policy initiatives affected the cost of running my department?
- In what areas could I achieve savings in the longer term by increasing expenditure in the short term?

23. I suggest that providing answers to such questions will mean underpinning gross information on the department as a whole with similar information on its component parts.

24. It will be necessary for costs to be got together in relation to organisational units and, if Ministers so desire, expenditure programmes or particular activities. The definition of the "organisational units" and of "activities" will be for Ministers to determine in the light of their own departmental circumstances. For example, in some cases it might be satisfactory to specify a Deputy Secretary command as an "organisational unit", whereas in others an Assistant Secretary (or lower) command would be appropriate. An example of an activity could be training across the whole department.

25. Ministers need not have this supplementary information presented to them in its entirety unless they wish. Its main purpose should be as a source of information which can be tapped so as to explain the data presented on the whole department and in answering Ministers' specific questions. It should also, of course, sharpen the awareness of costs and bring home the need to control them at all levels of management.

26. Having the wherewithal to examine the cost of a particular activity is the precondition for enquiring into value added for money spent. That enquiry should not and cannot be confined to appraising staff and running costs - it is bound to extend to the appraisal of the outcome of policies on the ground and therefore to the search for effective ways of assessing outcome. This may apply just as much to the expenditure of public bodies other than the department when Ministers are evaluating policies and considering the total cost of implementing a programme, but this note is addressed to the cost of departmental administration, not to the cost of policies.

Timing of the scrutiny

27. I suggest that Ministers should have an opportunity to scrutinise the cost of running their department in good time for the decisions they need to take each year on the level and direction of change of such costs in the next and coming years. I recommend therefore that departments should prepare

their analyses in April of each year for presentation to Ministers in early May. The decisions taken by Ministers on the detailed expenditures should then be reflected in the preparation of the next year's Estimates. In November each year, when these Estimates are being prepared for the following financial year, I suggest that Ministers will then wish to ensure that their management decisions have been taken on board and make further adjustments as necessary. But I should emphasise that I see the information as being just as if not more helpful to Ministers in relation to planning for later years as for the next following year. This is because, in my view, it bears heavily on the medium-term management policy of the department, as well as upon the scrutiny of costs here and now and to decisions on the administrative budget for the next year.

28. I recommend that the information should be scrutinised by the Minister in charge of the department. However the responsibility for taking the first look at the data might be delegated to a Minister of State or a junior Minister. He/she could also be responsible for any follow-up after the scrutiny.

29. The data listed in paragraph 11 and set out more fully in the Annex will also provide the base for an annual statement on the cost of running central government. This will be prepared by CSD Ministers for the Cabinet, who will consider it at about the same time as the PESC report. I understand that Mr Channon would like to receive returns from Ministers by the beginning of June, together with a commentary indicating each Minister's conclusions as a result of his scrutiny.

30. I recognise that all the information necessary to meet the management needs of Ministers may not be available in this first year of operation. It is important however that Departments begin now to refine their cost information systems with a view to its being fully operational in 1981-82. I therefore recommend that the scrutiny for 1980-81, although it should be done for real, should be regarded as a pilot run, so that the new procedures can operate smoothly in and from next year. I recognise that there could be problems of timing in this first year. If necessary,

in order to get a reliable test, the submission of trial analyses to Ministers could be put back, provided that Mr Channon received all returns by the end of September to allow enough time to consider the lessons to be learned from this first attempt at the scrutiny of costs.

31. I shall be glad to do what I can to help with the trial.

Summary of recommendations

32. Principal Accounting Officers should assure themselves that heads of bodies funded through departmental Votes have available to them a satisfactory management information system (paragraph 5b).

33. The information to be assembled should cover (a) staff and other running costs paid for out of the department's Votes; (b) the cost of supporting services provided on allied service terms; and (c) notional expenditure (paragraphs 9-12 and Annex).

34. Departments should prepare their analyses each April for presentation to Ministers early in May, beginning this year. Ministers' decisions on the detailed expenditures should then be reflected in preparing the next year's Estimates (paragraph 27).

35. The information should be scrutinised by the Minister in charge of the Department, although the first look and follow-up action might be delegated to a junior Minister (paragraph 27).

36. The 1980-81 scrutiny, although done for real, should be regarded as a pilot run (paragraph 30).

Derek Rayner
Cabinet Office
Whitehall SW1

22 February 1980

TOTAL DEPARTMENTAL COSTS

			Last year - This year		
	Penultimate Year (Actual) Gross	Last Year (forecast Outturn) Gross	This year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
A. <u>Staff</u>					
1. Average Numbers of permanent staff					
2. Costs	£	£	£	£	
Wages and Salaries (including Insurance contribution)					
i. Permanent Staff (UK based)					
ii. Overtime					
iii. Casuals					
iv. Period Appointees; staff on loan from outside bodies (paid for by the department)					
v. Staff locally engaged overseas					
vi. Employers' super- annuation contri- butions					
vii. Other pay costs					
3. Pension and gratuity liability (1)					
TOTAL WAGES AND SALARIES					
B. <u>Other Services</u>					
1. GIRO and other banking services					
2. Post Office Agency charges					
3. Other agency charges, cost of staff employed by contractors, consultants and fee paid staff					
[Note: this item is intended to include the employment of contract labour eg cleaning staff but not the direct labour element in government contracts]					
4. Payments to other departments for 2 services provided (eg establishments or common support services)					
[specify each department separately]					
TOTAL OTHER SERVICES					

(1) Notional expenditure only.

	Penultimate Year (Actual) Gross	Last year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year	
				Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
C. <u>Personnel overheads</u>					
Travel					
Subsistence					
Entertainment					
Removals					
Catering Subsidies					
Protective Clothing, Uniforms etc					
External training, seminars etc					
TOTAL PERSONNEL OVERHEADS					
D. i. <u>General Office Accommodation Costs</u>					
Equivalent market rents (1)					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
ii. <u>Other Accommodation Costs</u>					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
Capital Costs - New Construction (2)					
TOTAL ACCOMMODATION COSTS					

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers before 1980-81).

	Penultimate Year (Actual) Gross	Last Year (forecast outturn Gross	This Year (Estimate Gross	Last Year-This Year	
				Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
E. <u>Office Services</u> Carriage, freight Transport-own depart- ment (inc.vehicle maintenance)(3) Transport-PSA(2)(3) Telecommunications (3) Postage Office Machinery(3) Stationery Photocopying Printing & Publi- cations (3) Publicity and advertising (2)(3) Library Services Administrative Computers (3) Minor Administrative Expenses [separately annotated where substantial]					
TOTAL OFFICE SERVICES					
F. <u>Other Non-Office Expenditure</u> i. <u>Capital Expen- diture</u> Land Plant & Equipment Vehicles ii. <u>Running Costs</u> Land Plant & Equipment Vehicles iii. <u>Other Current Costs</u>					
TOTAL OTHER EXPENDITURE					
TOTAL EXPENDITURE A-F borne on own Votes					

	Penultimate Year (Actual) Gross	Last Year (forecast outturn) Gross	This Year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
	£	£	£	£	
TOTAL EXPENDITURE A-F borne on other depts' Votes (2)					
TOTAL EXPENDITURE A-F which is notional only (1)					
GRAND TOTAL A-F					

- (1) Notional expenditure only
- (2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers prior to 1980/81).
- (3) Please separate expenditure between Capital Costs and Running Costs where possible.

- Notes:
- (a) Pension and Gratuity Liability is to be calculated on the latest rates notified by the Treasury [currently 19% for Non-Industrials and 16% for Industrials].
- (b) Substantial costs will also need to be subdivided by organisational units (eg locations, functions, Under Secretary Commands etc). The precise nature of the breakdown will need to reflect the internal organisation of the department itself. All staff costs will require this treatment; the separation of other costs will depend upon a number of factors eg practicability, materiality and whether cost control will be facilitated.
- (c) Expenditure figures should be shown gross. A separate note analysing receipts may also be required in order to present a full picture.
- (d) Current year figures should be reconcilable with those shown in Supply Estimates after allowing for notional items. Figures for last year should be as near as possible to the final appropriation account figures. Penultimate year figures must be exactly reconcilable with that year's Appropriation Accounts.
- (e) Any goods or services provided free to the department on allied service terms should be marked. The expenditure to be shown under these items should be obtained from the relevant allied service department.
- (f) The contact points in these departments are as follows:
- Property Services Agency: Mr P B Overton,
20 Albert Embankment, London SE1(211 3254)
- Central Office of Information: Mr D J Etheridge,
Hercules Road, London SE17(928 2345 ext 8114)
- Rating of Government Property Department: Mr P S Mewes,
69 Notting Hill Gate, London W11
(229 9841 ext 46)
- HM Stationery Office: Mr P Jefford, Sovereign House,
Botolph Street, Norwich (0603 22211)
- Central Computer and Telecommunications Agency: Mr D Fowler, Riverwalk House,
157-161 Millbank, London SW1 (211 0327)

NOTE 2

THOUGHTS ON A DEPARTMENTAL ACCOUNT

1. I believe that each Minister in charge of a Department should have available at the right moment in the PESC/Estimates cycle an account of the capital and human resources which he and his senior officials use.

2. A structure for this account might in outline be as follows. The presentation of data on costs etc should cover the previous year, the current year and the forthcoming year (estimates), with a projection to the end of the PESC period.

A. ANNUAL CAPITAL ACCOUNT

1. Estates and buildings: value of investments (which should be periodically revalued).
2. Plant and machinery: value of investments, less depreciation.
3. Costs of capital (eg interest charges and depreciation).
4. Stocks and stores.

B. ANNUAL EXPENDITURE ACCOUNT

1. Cost of staff salaries, wages and overtime.
2. Liability to pay future pensions in respect of present staff.
3. Cost of overheads related to staff, eg stationery, telecommunications.
4. Cost of overheads related to estates, buildings, plant and machinery, eg maintenance, heating, lighting, cleaning.

C. ANNUAL CONSOLIDATED ACCOUNT

The accounts at A and B above combined as appropriate.

D. ANALYSIS OF EXPENDITURE ACCOUNT

This should include a commentary on such items as:

1. Breakdown of staff by grade and skill.
2. Level and incidence of staff turnover.
3. Level and incidence of absenteeism and uncertificated sick leave.
4. Stockholding compared with stock usage; cost of stock handling and distribution.
5. Maintenance and cleaning.
6. Level and incidence of costs of services (heating, lighting, water etc).

E. ACCOUNT OF INCOME

This should include an analysis and account of receipts.

3. The structure outlined in para. 2 is about the cost of the Department as a whole. The assemblage of the necessary data would, however, enable accounts to be prepared for management in respect of particular activities, functions or organisational units and thus enable Ministers to examine certain areas of their Department in detail.

4. For example, it should be possible to cost expenditure on a research establishment and to value its assets in respect of:

- the Capital Account, estate, building, plant and machinery
- the Expenditure Account, staff and staff overheads; overheads related to the maintenance and upkeep of the estate, buildings etc; purchase of goods etc.

5. It would also be possible to analyse expenditure and income (if any) for the establishment as noted in D and E above. Indeed, I would regard this less as a possibility than as a requirement for line management.

6. As far as Ministers are concerned, I regard information of the kind outlined above as serving two main purposes in respect of a research or similar establishment. First, it enables them to make a reality of that management task which is appropriate to their status by providing them with statements of values and costs. They need this in order to know what they have in hand and to be conscious of cost.

7. Secondly, when Ministers are faced with the need to retrench as well as to manage expenditure, the information will enable them to pose pertinent questions on the overall movement of expenditure and to make such decisions as these:

- to keep or to sell land (capital receipts plus savings in associated recurrent expenditure)
- to keep to existing levels of upkeep and maintenance or not
- to keep or discontinue or not enter upon a particular or a preferred activity
- to keep or to reduce levels of stockholding
- to keep or reduce levels of fees and charges

8. Another example is of the administrative/executive/clerical activity, function or organisation. Again, I think that the inquiring Minister needs information in respect of such items as:

- Capital assets, if any (D above)
- Rental charges in respect of leasehold accommodation and equipment

- Staff costs
- Overheads related to staff and to non-staff items.

9. Such information, again, will help Ministers responsible for good management and for retrenchment by giving them knowledge of costs and enabling them to ask such questions as some of those in paragraph 7. Here some of the main questions should, I suggest, be addressed to the question of excellence. If Government has to provide a service, Ministers will want it to be a first class service. So the questions which arise include: the issue whether productivity and effectiveness can be increased by simplification of procedures; mechanisation; removing the causes of staff instability; and devising a management structure which is appropriate to the task in hand and is not oppressively long.

Derek Rayner
29 January 1980



✓
MAP

ZPP's

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21 February 1980

Subject as Govt Mad:
R 5: Scrutiny Prog

Dear Sir

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 18 February about Sir Derek Rayner's proposals on Departmental Running Costs and on the Bath Maintenance Economy Review.

Mr Heseltine has already written to Sir Derek confirming that PSA will provide the information needed for a trial run in 1980/81 of the new system for monitoring Departmental running costs. PSA are also working on methods of refining the data for future years.

As regards the repayment issue, the Chief Secretary has written to Sir Derek proposing a study by officials, led by the Treasury with CSD and PSA. Mr Heseltine had previously written to Sir Derek agreeing that Departments should be made to accept responsibility for the accommodation services they consume and that the problem was to find a way of doing this without generating further bureaucracy. Mr Heseltine suggested that specific attribution and Ministerial and Parliamentary scrutiny, coupled with the new system for monitoring running costs, would be worth trying before moving to a more elaborate system. PSA will of course join in the proposed study.

As you suggest, most of the major recommendations in the Bath Maintenance Economy Review are for the Ministry of Defence to follow up. The PSA savings would result mainly from decisions to reduce MOD holdings - coupled with energy conservation and reduction of Directly Employed Labour which are in line with current policy. PSA will be preparing regular reports on the recommendations that are wholly their concern: the first is due next month.

More generally, my Secretary of State has instructed that the PSA should give all possible encouragement to the proposals made by Sir Derek, and should actively look for additional ones.

I am copying this to those to whom your letter was copied.

[Handwritten signature]

D A EDMONDS
Private Secretary

Mike Pattison Esq
10 Downing Street



file 16

10 DOWNING STREET

From the Private Secretary

Subject on Govt. Machinery
Pt 5. Security Prog.

MR. PRIESTLEY

The Prime Minister has seen Sir Derek Rayner's submission of 15 February on departmental running costs and related matters. She was particularly grateful for the clear presentation of this and other submissions from Sir Derek.

She is entirely content with Sir Derek's proposals, and has no specific comments on the drafts enclosed with the paper.

She has agreed that I should write to Mr. Heseltine on the issue of repayment for common services along the lines of the draft which Sir Derek submitted. I have expanded a little in relation to the response which she wishes to see from the Ministry of Defence about Bath.

M. A. PATTISON

18 February 1980



file KB

10 DOWNING STREET

From the Private Secretary

18 February 1980

Subject - Govt Mach: Pt 5: Secretary Prog

ANNUAL SCRUTINY OF DEPARTMENTAL
RUNNING COSTS

The Prime Minister has seen Sir Derek Rayner's letter of 8 February to your Secretary of State and his letter of 14 February to Mr. Finsberg on the Bath Maintenance Economy Review.

The Prime Minister very much welcomes Sir Derek Rayner's proposals for the examination of departmental running costs by Ministers and hopes that the Secretary of State, the Chief Secretary and Minister of State, C.S.D., will give the new system the underpinning by the common service departments which it will need. She also notes the reference to repayment. While she recognises that there are technical problems, she would like to see proposals brought forward for consideration by Ministers later this year and she has asked Sir Derek Rayner, in consultation with your Secretary of State and others, to arrange for this to be done.

The Prime Minister agrees with Sir Derek Rayner's comments on the Bath Report. She believes that the Report's principal message is that there is a basic flaw in the Government's present arrangements for the stewardship of assets in the State's possession. Repayment may prove to be the answer to all or part of this problem. In respect of the specific issues about Bath raised in the Report, the Prime Minister looks forward to receiving the note from Sir Derek Rayner on this about which he has been in touch with the Secretary of State for Defence. She has asked me to emphasise that she expects to see detailed replies on each and every defence matter raised in the Report, and she will want the replies to include a specific account of action taken so far in response to the findings of the Report.

I am sending copies of this letter to Brian Norbury (Ministry of Defence), Alistair Pirie (Chief Secretary's Office, H.M. Treasury), Geoffrey Green (Civil Service Department) and to Clive Priestley in Sir Derek Rayner's Office.

D. A. Edmonds, Esq.,
Department of the Environment.

PRIME MINISTER

You are seeing Sir Derek on Monday. I commended to you the document at Flag E, from which much of the argument flows. It would make a good starting point for a word with Sir Derek.

Are you content to bless the draft attached to this minute?

PRIME MINISTER

DEPARTMENTAL RUNNING COSTS AND RELATED MATTERS

1. Following Cabinet's agreement last October that both it collectively and Ministers in charge of departments severally should examine the cost of running departments, I have prepared a draft note of guidance for Ministers with the help of Treasury and CSD officials.

2. The draft is now for clearance with the Secretary of State for the Environment, the Chief Secretary and Minister of State, CSD, because some of the work of assembling the data needed would fall to central agencies responsible to them, notably the Property Services Agency. I hope to write to Ministers next week.

3. I have told the three Ministers named above that I would put you in the picture and the purpose of this minute is to do so, in particular to give you an opportunity to comment if you wish on the notes I propose to send to Ministers.

4. With this in view, I attach for you to see the following papers:

Flag A Draft letter to Mr Whitelaw, with its enclosed:-

Flag B Note 1, on the annual examination of departmental running costs, leading to action now.

Flag C Note 2, my personal thinking on the goal for which I believe Ministers should aim, namely a full "departmental account" of their assets, costs and receipts.

5. I have side- or underlined the main points in these papers.

6. In putting drafts of Notes 1 and 2 to Mr Heseltine, I have returned to the issue of repayment for common services, as against free provision on allied service terms. I know that you already regard this as an issue of central importance. The Secretary of State for Industry has, as it happens, just written to Mr Heseltine saying that he believes in repayment for accommodation and would like his Department to be associated with any study of it.

7. I attach my letter to Mr Heseltine (Flag D). Repayment is dealt with on pp. 2 and 3. If you felt able to give my work on this your overt support, I believe that it would be of the utmost value in expediting the task. Accordingly,

Please see that (NO) notes deleted notes on each - every note revised in the Draft Review

Notes in hand in which I have a specific comment

Action 1



Action 2

I offer, immediately following this minute, a draft note which, if you agree, might be sent on your behalf to Mr Heseltine. *Agreed no*

8. What makes me ask for your intervention is my recently sharpened consciousness of the insensitivity of successive governments and their officials to the value of assets and the slowness with which things change.

9. In paragraph 7 of my letter to Mr Heseltine (Flag D), I speak of the Government's sitting on massive assets without knowing it. For example, when buildings are handed over by the PSA to departments to use, as far as I can see "ownership" disappears: the "Crown" owns the building, but neither departments nor the PSA, under present arrangements seem to know the value of the assets nor to be clear about who is responsible for them and thus cannot be effective asset managers.

10. This has been brought home to me very clearly in reading the last of the "Rayner project" reports from last year, of an updated "Maintenance Economy Review" (ie Chapman review) of the Bath District, PSA. The report itself is very long and detailed but you may like to see my commentary on it, sent to Mr Finsberg under cover of my letter of yesterday (Flag E). Again the main points are side- or underlined. The essential point, in my judgment, is that unless departments are aware of the value of the assets in their charge and pay for the use of them and of the goods and services they consume there is no incentive for them to avoid the sort of nonsense to which the Bath team has drawn attention: the Officers' Mess, Hullavington, appears to be a classic of its kind (Flag E1).

11. Mr Channon has sent the Defence Secretary some suggestions about all this, copied to you, including the idea of a "special drive" to get rid of under-used assets. In fact, the MOD tells me that it has an urgent examination of the implications of the Bath report in hand and I have asked Mr Pym, who I understand feels very strongly about all this, to let me have information which will enable me to report to you on progress a little later. But the main issue here is classifying the ownership of and accountability for assets. Government cannot hope to be a good manager if it relies first on a basic structure of management responsibility which is defective and second on repeated "efficiency" and similar exercises aimed at symptoms rather than causes.

12. Hence the draft note.

Derek Rayner
Derek Rayner
15 February 1980

*16 1/2 hrs
What way things do
we need see
any results.*

*Channon - I wish all
files to me were set out
like this one
mt*



D A Edmonds Esq
Private Secretary to the
Secretary of State for the Environment
2 Marsham Street SW1

cc B M Norbury Esq, CSD
A C Pirie Esq, HM Treasury
G E T Green Esq, CSD
C Priestley Esq

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. The Prime Minister has seen Sir Derek Rayner's letter of 8 February to your Secretary of State and his letter of 14 February to Mr Finsberg on the Bath Maintenance Economy Review.

2. The Prime Minister ~~has asked me to say that she~~ very much welcomes Sir Derek Rayner's proposals for the examination of departmental running costs by Ministers and hopes that the Secretary of State, the Chief Secretary and Minister of State, CSD, will give the new system the underpinning by the common service departments which it will need. She also notes the reference to repayment. While she recognises that there are technical problems, she would like to see proposals brought forward for consideration by Ministers later this year and she has asked Sir Derek Rayner, in consultation with your Secretary of State and others, to arrange for this to be done.

3. The Prime Minister agrees with the comments made by Sir Derek Rayner on the Bath report. She has asked me to confirm that she would like to receive a note from Sir Derek Rayner on this as he has proposed to the Secretary of State for Defence, but she believes that the report's principal message is that there is a basic flaw in the Government's present arrangements for the stewardship of assets in the State's possession. Repayment may be the answer to all or some of this flaw.



4. I am copying this to Brian Norbury (MOD), Alastair Pirie (Treasury), Geoffrey Green (CSD) and Clive Priestley.

C A Whitmore/M A Pattison

*Agreed
MS*

CONQUEROR
LONDON

DRAFT OF 15 FEBRUARY 1980

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department
50 Queen Anne's Gate
London SW1

cc Prime Minister
Other Members of the
Cabinet
Minister of Transport
Minister of State CSD
Sir Ian Bancroft
Sir Robert Armstrong
Sir Douglas Wass
Sir Kenneth Berrill
Mr K J Sharp

THE SCRUTINY OF DEPARTMENTAL COSTS

(Earlier reference: Mr Whitmore's letter to Private Secretaries of 17 October)

1. The purpose of this letter is to offer advice following Cabinet's decision last autumn that it should have an annual statement on the cost of government and that departmental Ministers should scrutinise the cost of running their department.
2. I firmly believe that Ministers are largely bereft of information to use in managing their departments and that it will take time to make this deficit good. This letter offers both my personal views and a paper (Note 1, enclosed) on the scrutiny of departmental running costs on which I have consulted the Secretary of State for the Environment, the Chief Secretary and the Minister of State, CSD. Note 1 is the basis for action now. Also enclosed

is a further paper (Note 2). This sets out my personal views on the sort of full departmental account of assets, costs and receipts which I regard as the goal to be reached in due course. Note 2 is for information, not action.

General

3. The management of resources in government tends in my experience to be an amalgam of macro-economics and cash accounting. The purpose of these papers is, by contrast, to help Ministers to develop management accounting appropriate to the place they occupy at the top of their organisations. ^{them should focus} The information provided to { their attention on the scale and make-up of the resources at their disposal, enabling them to see and query such things as increases in activities or the consumption of what may be at first sight an inexplicably high proportion of resources by certain functions.

4. Like other top managers, Ministers have to delegate much of the day-to-day responsibility for ensuring that resources are used effectively and that claims for extra resources are justified and cannot be met elsewhere. But they need to satisfy themselves that delegation is not abdication. For this, Ministers need information which enables them to survey and appraise their costs, notably but not only in the PESC/Estimates cycle and to dig down selectively throughout the year.

5. I am bound to say frankly that in my view those best qualified to examine the consumption of resources on behalf of Ministers are people with professional training in ^{management} accountancy. This bears on both the present concept of the Accounting Officer and on the staff who support him. My comment on the former point goes beyond the purpose of this letter, since the Accounting Officer's responsibility extends much wider than the running costs of his department, but this is nonetheless a convenient point at which to let you and your colleagues know that, in consultation with Ministers, I propose to pursue it and my thoughts on the use of accountants elsewhere in my work.

6. My view is that an Accounting Officer should in future be nearer the kind of man or woman who in the private sector has overall responsibility for the financial affairs of his company. I am conscious that this would represent a change in the basic concept, but I make no apology for this. Regardless of that point, however, Accounting Officers will not be able to span the scope of departmental expenditure in detail nor personally follow up the questions that will be raised. The wide range of responsibilities carried by the typical Accounting Officer is usually very formidable and it is therefore essential that in dealing with the proposed scrutiny of costs Accounting Officers are served by experienced accountants who ^{have} direct access

to them and these accountants have associated with them staff who are numerate and carry sufficient authority to probe in depth in any area where in their view it is imperative to ask more questions.

7. It will be said with some truth that awareness of costs has not necessarily in the past brought expenditure under control nor eliminated the desire of some departments to have what they would like without regard to cost. This will continue to be inevitable as long as there remains a lack of awareness and of involvement by senior people in making sure that the resources available are used to the best advantage. It will also continue if there is no real penalty for those who are extravagant, providing the rules have been obeyed and budgets not exceeded.

You and your colleagues will have views on this and I should like to talk to you about it presently.

Scrutiny of departmental running costs - the "expenditure account" (Note 1)

8. As already indicated, I have consulted the Secretary of State for the Environment, the Chief Secretary and the Minister of State, CSD, in preparing Note 1. Agencies responsible to them will supply departments with some of the data required, while the CSD is ready to help departments in giving effect to the proposals contained in it. I am grateful to these Ministers for their assistance.

9. The first year in which departmental costs are scrutinised in the way suggested in Note 1 is bound to be a little rough and ready, with some gaps in the information available to Ministers. I suggest we accept this and that in setting up the proposed system it is essential to ensure that the best is not made the enemy of the good nor that it becomes an annual ritual which accepts that extra expenditure is permissible provided there is slippage in timing or accelerates activity by costly overtime to keep in line with forecasts.

10. I suggest that the account of expenditure should be available to Ministers in the PESC/Estimates cycle when they take decisions on the amount of resources they wish to consume in the forthcoming financial year and PES period. May I suggest that they should appraise it with a strong emphasis on producing and implementing a thought-through plan for reducing their consumption.

11. I should like to lay particular emphasis on two points. First, in developing means of informing themselves Ministers should not in my view feel constrained to follow the strict rules of cash accounting but should instead use intelligent approximation where necessary. This will enable them to estimate orders of magnitude and the movement of costs. It is essential that the information presented to Ministers is sufficiently brief and clear so that the relevant questions will come easily to mind. Of course, Ministers will need to seek further information to answer some of their questions and the back-up data lying behind what is first put to Ministers must therefore be of a kind which enables such questions to be answered. 5

12. Secondly, while the enclosed Note 1 discusses the provision of information for the annual scrutiny by departmental Ministers on which Cabinet agreed, I am sure that in present circumstances and for the foreseeable future Ministers will need some of it more than once a year ^{if they} are to assure themselves that the movement of costs is according to plan, I suggest that Ministers should consider the same data monthly and other quarterly. My own conviction is that Ministers would find it helpful to set aside time each month for the examination of some part of the resources they use or have in their keeping.

13. Ministers in charge of departments will no doubt want to take the lead themselves at PESC and Estimates. But it may be helpful to them and to their junior Ministers to look to one or more of their Ministerial team to continue the scrutiny throughout the year. That will familiarise them with the data and with the issues when it comes to deciding bids and forward plans for resources and enable them to plan both for reducing costs and for the better use of those resources which do have to be consumed.

A full account of assets, costs and receipts (Note 2)

✓ 14. I regard what I have termed the "expenditure account" as only a first if important step towards providing cost information for Ministers. The enclosed Note 2, Thoughts on a departmental account, outlines very roughly the sort of account which might be the target to go for with the help of experience.

15. This would be an account for each Minister, and on this foundation for the Cabinet as a whole, of his costs, his receipts, if any, and the assets in his keeping. It will take a little time to produce such an account, because data on the value of land and buildings among other assets are not, I understand, readily to be had. So I should make it clear that Note 2 is not intended ^{to be} and cannot be actioned now. I included it, however, to show the direction I believe the development of cost information should take.

Next steps

16. I hope that Ministers will be able to move ahead on the basis recommended in Note 1. If I can help further I will do so gladly. In due course I should in any case like to know of Ministers' experience with the scrutiny.

16. I am copying this to the Prime Minister, your Cabinet colleagues, the Minister of Transport, the Minister of State, CSD and to Sir Ian Bancroft, Sir Robert Armstrong, Sir Douglas Wass, Sir Kenneth Berrill and Mr K J Sharp. I should in conclusion make it clear than I myself ask for no restriction on its circulation.

Derek Rayner

Encs: Note 1 Annual scrutiny of departmental running costs - the expenditure account

Note 2 Thoughts on a departmental account

DRAFT OF 8 FEBRUARY 1980

NOTE 1

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I recommended last year and it was agreed that "each Minister in charge of a Department should at the appropriate point in the PESC/Estimates cycle, scrutinise the overheads of his Department as well as his staff costs". This is because in order to run anything, one needs first to know and then to question his costs. But I also believe that Ministers should avoid excessive detail - they are not in the business of accounting for the petty cash.

Scope of the information needed

2. This note is about providing and using information on the cost of having a Department, that is, of its staff, of its buildings and of supplying it with goods (eg stationery, furniture and equipment for scientific research) and services (eg water and electricity) which it uses. In offering it to Ministers, I acknowledge that some departments may already have sophisticated information systems, especially those which have Trading Funds; the latter should not, in my view, be excluded from the scrutiny, but it may be that their costs are already displayed in enough detail in their accounts for there to be no need to assemble them again as suggested below (paragraph 11) and in the Annex.

3. I also recognise that the detailed day-to-day responsibility for good management cannot and should not be exercised by Ministers themselves but by their officials. However, officials' authority for making good use of manpower, goods and services is delegated to them by and they discharge it under and on behalf of Ministers. I see the peculiar responsibility of Ministers here most clearly represented by two inalienable tasks, approving their Estimates of Expenditure and satisfying themselves, by selective examination, that the manpower, goods and services used in their name are used efficiently and well.

4. It may not at first be clear what information on the cost of manpower, goods and services should include and exclude. I offer the following thoughts on this.

5. First, the information to be provided should be only for the manpower, goods and services used by Ministers in running their own operations and administration, ie those operational and administrative expenditures whose form, scale and deployment are under the direct personal control of Ministers. It may be helpful if I offer some comments in extension of that view:

a. I would exclude those "running costs" expenditures by such large public sector bodies as local authorities, the National Health Service and nationalised industries, since - although these are partly funded through departmental Votes - they are not under the Minister's personal control or within his management responsibility.

b. I would exclude grant-in-aid bodies, other than the Manpower Services Commission, Health and Safety Commission and the Advisory, Conciliation and Arbitration Service, since these are staffed by civil servants. I am writing to the Secretary of State for Employment about this. However, when in such cases the Minister's Accounting Officer is required to ensure that the body has an "appropriate financial regime", I recommend that it should be his responsibility also to assure himself that the head of that body has available to him a satisfactory management information system.

c. There may be problems of interpretation over the general aim, which is to include all relevant operational and administrative costs of the Minister's department. It might be argued that in some cases there is unclear dividing line between, on the one hand, staffing, housing, maintaining and servicing a function and, on the other, the function itself. One example which has been mentioned to me is that of the Home Office's Prison Department, the question being where administration and "overheads" end and the function itself begins. I am firmly of the view that, for the purposes of the first year of this exercise, one need not strive to draw over-nice boundaries. In the case of the Prison Department, I would regard administration, "overheads" and function as forming a single cost centre and I would consider that all of this should be included as being part of the cost of running the operations of the Home Office.

d. By contrast, I would exclude expenditure not related to the operational management of the Department, even though it is spent on functions for which the Minister is directly responsible. Examples are intervention buying of agricultural produce, the development costs of Concorde and the government's contribution to teachers' superannuation. I would exclude also the cost of grants, loans or benefits to associations, organisations or individuals outside the department.

e. I understand that a particular problem may occur over agency or contractors' services. I suggest that where these are an essential part of the activity within the Minister's management responsibility, for example Post Office agency services, they should be included. However, where they go well beyond this (eg the use of local authorities as agents for trunk roads programme) they should be excluded.

f. I recognise that there may be special problems in the Ministry of Defence, owing to the difficulty of separating Civil Service from HM Forces costs. I propose to discuss these with the Secretary of State.

6. Secondly, provided there is a broad consistency of treatment between departments, I do not think it matters much if in the first year in which Ministers scrutinise their departmental costs the exercise has rough edges and is to a degree experimental. I expect we shall all learn from the experience and I do not have a ready-made specification which will indicate with precision the exact scope and content of the data to be provided.

7. Thirdly, however, that "broad consistency" will be very much helped by the fact that it is already possible to specify with reasonable accuracy many of the constituent parts of a department's expenditure (see paragraph 11 below).

8. Fourthly, I suggest that the types of expenditure to be included should be determined not according to who pays, but who consumes. Whether or not repayment is introduced for those services currently provided on allied service terms, I suggest that Ministers will wish to manage their use and consumption of, for example, accommodation and PSA supplies as if they were a direct charge upon their Votes. Indeed I believe that the Treasury guide, Government Accounting, already asks departments so to behave. While the Property Services Agency is responsible for the management of the Government's

office estate as a whole, I see the consuming Departments as exerting a very powerful influence on the planning, allocation and control of such resources and, of course, as determining the total demand for them. Similarly, they determine the demand for other types of accommodation.

9. On this basis, I recommend that the information to be assembled should cover the following three broad categories of cost:

- ✓ a. Those staff and other costs of running a department which are paid for out of its Votes and for which the Minister is accountable to Parliament.
- ✓ b. The cost of those "supporting services" which are a charge upon the Votes of others and provided free to the department on allied service terms.
- ✓ c. Those costs which do not entail actual expenditure by the department but which, I suggest, should nevertheless be taken into account when calculating the total cost to the taxpayer of running it. These costs are the pension and gratuity liability which accrue because staff are employed and the equivalent market rental of the offices the department occupies.

10. The Supply Estimates and associated tables provide some useful information on costs in those categories. But it is in my view an inadequate form for management purposes. For example, the information there given on "supporting services" is not presented on a departmental basis; the degree of detail about direct departmental costs is not sufficiently defined to enable the various components of the department's running costs to be managed individually; and the comparison with the previous year only does not offer an adequate span of time for effective monitoring.

Information about the Department as a whole

11. I have set out in the Annex relevant types of expenditure and the period it should cover. The types are in brief:

- A. Staff (including pension and gratuity liability)
- B. Other services
- C. Personnel overheads
- D. Office and other accommodation costs
- E. Office services
- F. Other non-office expenditure

12. I recommend that all Ministers should have information prepared for them on this basis.

13. The costs are gross and expressed in money terms. Capital and current expenditures are separately identified (although in an ideal management information system capital expenditures would be displayed in an annualised form, depreciation and interest charges being the cost of the resources consumed each year).

14. In the case of services not paid for out of departmental Votes (paragraph 9b above), data on costs not already available to Ministers from within their own departments may be obtained from the Property Services and other agencies which supply those services. A list of contact points is given at the end of the Annex. If such costs are not at once available in the form required, they will be provided in the course of the coming year for incorporation in the schedule later. This procedure will apply to the PSA, Central Office of Information and Rating of Government Property Department and to HMSO and the CCTA in respect of expenditure before the move to repayment on 1 April 1980. It is another case where Ministers may need to accept that there will be some rough edges in the first year.

15. The cost of office accommodation (paragraph 11D above) can be charged at an equivalent market rental, by rental zones, whether it is leased or Crown freehold. This will put all departments on a comparable basis in monitoring accommodation costs. The cost of specialised buildings (Crown Courts, Prisons, Laboratories etc) is, I am informed, harder to assess. The PSA tell me that this is because there will often be no

market rent for such property and that it may be difficult to arrive at a capital value. In these cases, I propose, for the present, that only the capital cost of new construction undertaken each year should be shown. (Such projects will already have appeared in the department's PESC and will appear in Estimates.) For the future, it should be possible to devise a suitable method of capital valuation, possibly a form of depreciation based on initial or replacement cost. I have asked the PSA to advise me on this, as I am anxious that Ministers should have available to them a valuation of the capital assets in their hands. I intend to go separately into the questions of repayment for or attribution of PSA expenditure on behalf of user departments. The treatment of accommodation costs can accordingly be considered again in the light of the outcome.

16. I attach some importance to the question, covered by A in paragraph 11 above and the Annex, of how much pension liability as well as wage-salary and other cost liabilities a Minister accepts when he recruits staff. A career civil servant is a substantial investment from the moment he/she is taken on to the moment his/her working life ends, but pension liability is as much a cost of employing a civil servant as his/her pay. This point is covered by my recommendation on the inclusion of pension and gratuity liability at paragraph 9 above.

17. In case officials need help in interpreting the intended scope and coverage of the cost information, I have agreed with Mr Channon that they should write to Mr A R Williams, Manpower 1 Division, Civil Service Department.

Possible questions about the cost of the Department as a whole

18. In the first instance I suggest that information needs to be brought together and displayed for the department as a whole. It will provide Ministers with answers to such simple, but important questions as:

- What is the total cost of running my department now and how does it compare with costs in previous years?

- Which particular costs make a significant contribution to the total? What efforts is the department making to keep those under control?
- How much has inflation caused expenditure to rise and how is my department improving efficiency to off-set its effects?
- Are my non-staff costs moving in line with what would be expected in the face of changing staff levels?
- Where have I failed to achieve planned changes in my costs?
- Are the savings I am achieving merely at the margin or am I operating on the main bulk of my costs?

19. In addition to the information set out in the Annex, to provide Ministers with a feel for what they are buying for the taxpayer, I suggest that some of the expenditures should be supplemented vividly by notes on quantities, eg numbers of staff employed, square footage of office space, amounts of paper and energy consumed, numbers of staff trained, number of cars in the transport fleet.

20. I attach special importance to two things, firstly the level of staff wastage. If high, it means a significant wastage of resources, notably in the costs of recruitment, training and supervisory time, in addition to unrealised investment in wages and salaries. Similarly, it is necessary to give a clear breakdown of staff by grade. In my own business, I need to know how many managers, assistant managers, supervisors and sales staff we have and how many specialists, technologists and technicians. This is because, without careful scrutiny, the relative proportions of the various types of employee tend to change unpredictably and it is all too easy to make economies, not by cutting back on the numbers of senior grades, but on those whose jobs can most easily be measured.

21. Secondly, the cost of stocks. The "non-office expenditure" covered by paragraph 11 F above may include the purchase and storage of various kinds of stocks and stores. Where these include supplies that are expensive both to buy and to store, I suggest that it would be helpful to have a separate analysis to provide data on purchase and storage costs, so that Ministers can enquire why, for example, the level of purchase and stockholding has gone up or down.

Information about parts of the Department

22. Information about the department as a whole can only take Ministers part way along the road to effective management. To plan and control the costs of running their departments I suggest that they will need to ask, and to have information available to answer, such questions as:

- Why are the costs of particular items at the levels that they are and changing in the way they are?
- Where in my department do the cost of particular items mainly arise and the changes originate, eg HQ or Local Offices; Policy/Advisory or delivery of the services; desk staff or support staff?
- What is the rate of staff turnover or wastage, with particular reference to grades that matter to my operations?
- What grades does my staff consist of and in what numbers? Which are expanding or contracting and why? What change in the pattern of skills employed by my department does this represent and why?
- What is the cost to the department of running a particular programme?
- Are the staff and other costs of a particular programme moving in the same direction as my policy in relation to the programme? If not, why not?
- Where in my department have my economy drives failed to bite?
- How much have this year's policy initiatives affected the cost of running my department?
- In what areas could I achieve savings in the longer term by increasing expenditure in the short term?

23. I suggest that providing answers to such questions will mean underpinning gross information on the department as a whole with similar information on its component parts.

24. It will be necessary for costs to be got together in relation to organisational units and, if Ministers so desire, expenditure programmes or particular activities. The definition of the "organisational units" and of "activities" will be for Ministers to determine in the light of their own departmental circumstances. For example, in some cases it might be satisfactory to specify a Deputy Secretary command as an "organisational unit", whereas in others an Assistant Secretary (or lower) command would be appropriate. An example of an activity could be training across the whole department.

25. Ministers need not have this supplementary information presented to them in its entirety unless they wish. Its main purpose should be as a source of information which can be tapped so as to explain the data presented on the whole department and in answering Ministers' specific questions. It should also, of course, sharpen the awareness of costs and bring home the need to control them at all levels of management.

26. Having the wherewithal to examine the cost of a particular activity is the precondition for enquiring into value added for money spent. That enquiry should not and cannot be confined to appraising staff and running costs - it is bound to extend to the appraisal of the outcome of policies on the ground and therefore to the search for effective ways of assessing outcome. This may apply just as much to the expenditure of public bodies other than the department when Ministers are evaluating policies and considering the total cost of implementing a programme, but this note is addressed to the cost of departmental administration, not to the cost of policies.

Timing of the scrutiny

27. I suggest that Ministers should have an opportunity to scrutinise the cost of running their department in good time for the decisions they need to take each year on the level and direction of change of such costs in the next and coming years. I recommend therefore that departments should prepare

their analyses in April of each year for presentation to Ministers in early May. The decisions taken by Ministers on the detailed expenditures should then be reflected in the preparation of the next year's Estimates. In November each year, when these Estimates are being prepared for the following financial year, I suggest that Ministers will then wish to ensure that their management decisions have been taken on board and make further adjustments as necessary.

But I should emphasise that I see the information as being just as if not more helpful to Ministers in relation to planning for later years as for the next following year. This is because, in my view, it bears heavily on the medium-term management policy of the department, as well as upon the scrutiny of costs here and now and to decisions on the administrative budget for the next year.

28. I recommend that the information should be scrutinised by the Minister in charge of the department. However the responsibility for taking the first look at the data might be delegated to a Minister of State or a junior Minister. He/she could also be responsible for any follow-up after the scrutiny.

29. The data listed in paragraph 11 and set out more fully in the Annex will also provide the base for an annual statement on the cost of running central government. This will be prepared by CSD Ministers for the Cabinet, who will consider it at about the same time as the PES report. I understand that Mr Channon would like to receive returns from Ministers by the beginning of June, together with a commentary indicating each Minister's conclusions as a result of his scrutiny. (Should the PES be brought forward in subsequent years, the timetable for the scrutiny of costs would need to be similarly changed.)

30. I recognise that all the information necessary to meet the management needs of Ministers may not be available in this first year of operation. It is important however that Departments begin now to refine their cost information systems with a view to its being fully operational in 1981-82. I therefore recommend that the scrutiny for 1980-81, although it should be done for real, should be regarded as a pilot run, so that the new procedures can operate smoothly in and from next year. I recognise that there could be problems of timing in this first year. If necessary,

in order to get a reliable test, the submission of trial analyses to Ministers could be put back, provided that Mr Channon received all returns by the end of September to allow enough time to consider the lessons to be learned from this first attempt at the scrutiny of costs.

31. I shall be glad to do what I can to help with the trial.

Summary of recommendations

32. Principal Accounting Officers should assure themselves that heads of bodies funded through departmental Votes have available to them a satisfactory management information system (paragraph 5).

33. The information to be assembled should cover (a) staff and other running costs paid for out of the departmental Votes; (b) the cost of supporting services provided on allied service terms; and (c) notional expenditure (paragraphs 9-12 and Annex).

34. Departments should prepare their analyses each April for presentation to Ministers early in May, beginning this year. Ministers' decisions on the detailed expenditures should then be reflected in preparing the next year's Estimates (paragraph 27).

35. The information should be scrutinised by the Minister in charge of the Department, although the first look and follow-up action might be delegated to a junior Minister (paragraph 27).

36. The 1980-81 scrutiny, although done for real, should be regarded as a pilot run (paragraph 39).

Derek Rayner
Cabinet Office
Whitehall SW1

February 1980

TOTAL DEPARTMENTAL COSTS

	Penultimate Year (Actual) Gross	Last Year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year	
				Increase/ Decrease + or -	% Change + or -
A. <u>Staff</u>					
1. Average Numbers of permanent staff					
2. Costs	£	£	£	£	
Wages and Salaries (including Insurance contribution)					
i. Permanent Staff (UK based)					
ii. Overtime					
iii. Casuals					
iv. Period Appointees; staff on loan from outside bodies (paid for by the department)					
v. Staff locally engaged overseas					
vi. Employers' super- annuation contri- butions					
vii. Other pay costs					
3. Pension and gratuity liability (1)					
TOTAL WAGES AND SALARIES					
B. <u>Other Services</u>					
1. GIRO and other banking services					
2. Post Office Agency charges					
3. Other agency charges, cost of staff employed by contractors, consultants and fee paid staff					
[Note: this item is intended to include the employment of contract labour eg cleaning staff but not the direct labour element in government contracts]					
4. Payments to other departments for 2 services provided (eg establishments or common support services)					
[specify each department separately]					
TOTAL OTHER SERVICES					

(1) Notional expenditure only.

	Penultimate Year (Actual) Gross	Last year (forecast Outturn) Gross	This year (Estimate) Gross	Last year - This year	
				Increase/ Decrease + or -	% Change + or -
	£	£	£	£	££
C. <u>Personnel overheads</u>					
Travel					
Subsistence					
Entertainment					
Removals					
Catering Subsidies					
Protective Clothing, Uniforms etc					
External training, seminars etc					
TOTAL PERSONNEL OVERHEADS					
D. i. <u>General Office Accommodation Costs</u>					
Equivalent market rents (1)					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
ii. <u>Other Accommodation Costs</u>					
Rates (2)					
Heating, lighting(2)					
Maintenance (2)					
Furniture and fittings (2)					
Capital Costs - New Construction (2)					
TOTAL ACCOMMODATION COSTS					

(2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers before 1980-81).

	Penultimate Year (Actual) Gross	Last Year (forecast outturn Gross	This Year (Estimate Gross	Last Year-This Year	
				Increase/ Decrease + or -	% Change + or -
	£	£	£	£	£
E. <u>Office Services</u>					
Carriage, freight Transport-own depart- ment (inc.vehicle maintenance)(3) Transport-PSA(2)(3) Telecommunications (3) Postage Office Machinery(3) Stationery Photocopying Printing & Publi- cations (3) Publicity and advertising (2)(3) Library Services Administrative Computers (3)					
Minor Administrative Expenses [separately annotated where substantial]					
TOTAL OFFICE SERVICES					
F. <u>Other Non-Office Expenditure</u>					
i. <u>Capital Expen- diture</u>					
Land Plant & Equipment Vehicles					
ii. <u>Running Costs</u>					
Land Plant & Equipment Vehicles					
iii. <u>Other Current Costs</u>					
TOTAL OTHER EXPENDITURE					
TOTAL EXPENDITURE A-F borne on own Votes					

	Penultimate Year (Actual) Gross	Last Year (forecast outturn Gross	This Year (Estimate) Gross	Increase/ Decrease + or -	% Change + or -
TOTAL EXPENDITURE A-F borne on other depts' Votes (2)					
TOTAL EXPENDITURE A-F which is notional only (1)					
GRAND TOTAL A-F					

- (1) Notional expenditure only
- (2) Expenditure borne on other departments' Votes (also applies to stationery, printing, office machinery and administrative computers prior to 1980/81).
- (3) Please separate expenditure between Capital Costs and Running Costs where possible.

- Notes:
- (a) Pension and Gratuity Liability is to be calculated on the latest rates notified by the Treasury [currently 19% for Non-Industrials and 16% for Industrials].
 - (b) Substantial costs will also need to be subdivided by organisational units (eg locations, functions, Under Secretary Commands etc). The precise nature of the breakdown will need to reflect the internal organisation of the department itself. All staff costs will require this treatment; the separation of other costs will depend upon a number of factors eg practicability, materiality and whether cost control will be facilitated.
 - (c) Expenditure figures should be shown gross. A separate note analysing receipts may also be required in order to present a full picture.
 - (d) Current year figures should be reconcilable with those shown in Supply Estimates after allowing for notional items. Figures for last year should be as near as possible to the final appropriation account figures. Penultimate year figures must be exactly reconcilable with that year's Appropriation Accounts.
 - (e) Any goods or services provided free to the department on allied service terms should be marked. The expenditure to be shown under these items should be obtained from the relevant allied service department.
 - (f) The contact points in these departments are as follows:
 - Property Services Agency:
 - Central Office of Information:
 - Rating of Government Property Department:
 - HM Stationary Office:
 - Central Computer and Telecommunications Agency:

Not for action now: a view
of the long-term goal.

NOTE 2

THOUGHTS ON A DEPARTMENTAL ACCOUNT

1. I believe that each Minister in charge of a Department should have available at the right moment in the PESC/Estimates cycle an account of the capital and human resources which he and his senior officials use.

2. A structure for this account might in outline be as follows. The presentation of data on costs etc should cover the previous year, the current year and the forthcoming year (estimates), with a projection to the end of the PESC period.

✓
A. ANNUAL CAPITAL ACCOUNT

1. Estates and buildings: value of investments (which should be periodically revalued).
2. Plant and machinery: value of investments, less depreciation.
3. Costs of capital (eg interest charges and depreciation).
4. Stocks and stores.

B. ANNUAL EXPENDITURE ACCOUNT

1. Cost of staff salaries, wages and overtime.
2. Liability to pay future pensions in respect of present staff.
3. Cost of overheads related to staff, eg stationery, telecommunications.
4. Cost of overheads related to estates, buildings, plant and machinery, eg maintenance, heating, lighting, cleaning.

C. ANNUAL CONSOLIDATED ACCOUNT

The accounts at A and B above combined as appropriate.

D. ANALYSIS OF EXPENDITURE ACCOUNT

This should include a commentary on such items as:

1. Breakdown of staff by grade and skill.
2. Level and incidence of staff turnover.
3. Level and incidence of absenteeism and uncertificated sick leave.
4. Stockholding compared with stock usage; cost of stock handling and distribution.
5. Maintenance and cleaning.
6. Level and incidence of costs of services (heating, lighting, water etc).

E. ACCOUNT OF INCOME

This should include an analysis and account of receipts.

3. The structure outlined in para. 2 is about the cost of the Department as a whole. The assemblage of the necessary data would, however, enable accounts to be prepared for management in respect of particular activities, functions or organisational units and thus enable Ministers to examine certain areas of their Department in detail.

4. For example, it should be possible to cost expenditure on a research establishment and to value its assets in respect of:

- the Capital Account, estate, building, plant and machinery
- the Expenditure Account, staff and staff overheads; overheads related to the maintenance and upkeep of the estate, buildings etc; purchase of goods etc.

5. It would also be possible to analyse expenditure and income (if any) for the establishment as noted in D and E above. Indeed, I would regard this less as a possibility than as a requirement for line management.

6. As far as Ministers are concerned, I regard information of the kind outlined above as serving two main purposes in respect of a research or similar establishment. First, it enables them to make a reality of that management task which is appropriate to their status by providing them with statements of values and costs. They need this in order to know what they have in hand and to be conscious of cost.

7. Secondly, when Ministers are faced with the need to retrench as well as to manage expenditure, the information will enable them to pose pertinent questions on the overall movement of expenditure and to make such decisions as these:

- to keep or to sell land (capital receipts plus savings in associated recurrent expenditure)
- to keep to existing levels of upkeep and maintenance or not
- to keep or discontinue or not enter upon a particular or a preferred activity
- to keep or to reduce levels of stockholding
- to keep or reduce levels of fees and charges

8. Another example is of the administrative/executive/clerical activity, function or organisation. Again, I think that the inquiring Minister needs information in respect of such items as:

- Capital assets, if any (D above)
- Rental charges in respect of leasehold accommodation and equipment

- Staff costs
- Overheads related to staff and to non-staff items.

9. Such information, again, will help Ministers responsible for good management and for retrenchment by giving them knowledge of costs and enabling them to ask such questions as some of those in paragraph 7. Here some of the main questions should, I suggest, be addressed to the question of excellence. If Government has to provide a service, Ministers will want it to be a first class service. So the questions which arise include: the issue whether productivity and effectiveness can be increased by simplification of procedures; mechanisation; removing the causes of staff instability; and devising a management structure which is appropriate to the task in hand and is not oppressively long.

Derek Rayner
29 January 1980



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-~~9305427 ext~~ 233 8224

8 February 1980

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
London SW1

Dear Secretary of State,

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. In my letter of 29 January I mentioned draft notes of guidance for the annual scrutiny by Ministers of the cost of running their departments. The chief purpose of this letter is to show you the enclosed draft Note 1 which I want to send to Ministers shortly, because PSA would have an important part to play in this exercise. I should be very grateful if I could clear the references to the PSA in Note 1 quickly (see para. 4 below). Note 2, as you will have gathered from my letter of 29 January, is very much a personal view and it is not for action now.
2. I am copying this letter to John Biffen and Paul Channon. They have interests and responsibilities in this field, not least with regard to preparing an annual statement to the Cabinet on the total running costs of central government (see Note 1, para. 29). I should be glad to know that you and they agree respectively to the parts assigned by Note 1 to the Property Services Agency, the Rating of Government Property Department, COI, HSMO and CCTA (para. 14). I should also be grateful if you and they would let me have the names of officers from those departments for inclusion at the end of the Annex to Note 1. I should be particularly obliged to you if I might have your agreement by 18 February.
3. The drafts are, I hope, self-explanatory. The scrutiny exercise (Note 1) concentrates in the main on what I term the "annual expenditure account". The construction of a full "departmental account" (Note 2) will be for the future, given the apparent difficulties of putting together such information.
4. As far as the PSA is concerned I should specifically ask you to look at paras. 14 and 15 of the Note 1. The work involved is (a) supplying data to user departments on the cost of accommodation and services now supplied free of charge on allied service

terms; and (b) advising me on how best to devise a valuation of capital assets in the keeping of departments.

5. The cost information system cannot begin to work without the data on costs of allied service provision. It cannot eventually be completed without data on the value of assets. I understand that PSA officials believe they can supply much of the former data fairly readily. This is good news, as I believe we must make a start this Spring and that it does not matter too if there are some gaps in the first year. This is one of the reasons why I see 1980/81 as a trial year and I am, as I am sure you are, as prepared to learn lessons from what cannot be done on round one as from what can be done.

6. I think we should regard the data at para. 4(a) on the costs of goods and services the first priority, but I hope you will agree too that work might be set in hand on the valuation of capital assets, notably land and buildings, in the hands of user departments(para. 4(b)).

The repayment issue

7. I believe that that purpose has an importance in its own right, regardless of the question of repayment which I mentioned in my letter of 29 January. In the first place, Ministers whose departments use and consume resources should know their value while, in the second, I am in no doubt about the need to sharpen up their sense that they possess responsibility as well as assets. This is an issue in the Government's self-management at which the old adage about possession being nine-tenths of the law works, in my view, to the disadvantage of the taxpayer; the Government sits on massive assets which it is hard for the PSA to manage as effectively as it would like from its position as procurer and upkeeper but of whose value I suspect some Ministers and their departments are largely unconscious.

8. I propose to study the issue of repayment for goods and services which continue to be provided free of charge on allied service terms. The outstanding example is now the PSA's services. The possible courses of action seem to be these:

a. Leave things as they are, which I understand the PSA would regard as inefficient and wasteful.

b. Improve departments' cost-consciousness, with which the present exercise will help but which leaves the fundamental issue of responsibility for resources consumed unanswered.

c. Show in departmental Estimates the cost of the goods and services supplied on allied service terms, which is a further, but public, refinement of 8b above.

d. Move to full repayment, with the payment of bills by departments, which I understand the PSA fear would produce a grievous increase in bureaucracy and not necessarily the advantage looked for.

9. It would help me to have your first thoughts about the real issues here and how best to tackle them. I would like to talk to you about this soon. As I have indicated already, I should prefer repayment but I am openminded about the more effective course as between "attribution" (para. 8c above) and full repayment (para. 8d above). I am however clear about these points:

a. Better management information for user departments although helpful is not enough.

b. How best to discharge the respective responsibilities of PSA and user departments needs clarifying soon.

c. The PSA has an important role to play as a professional force of excellent quality, in looking after the big questions, eg of estate management and levels of service and in challenging departmental management's use and consumption of goods and services.

d. We could not get repayment, if that was the outcome, in one go. I would see it being brought in on the basis of a carefully staged plan.

10. I am copying this to John Biffen, Tom King, Paul Channon, Robert Cox and John Delafons - I should of course be very happy for Tim Sainsbury to see these papers if you so wished. I shall also take an opportunity to put the Prime Minister in the picture and arrange for the head of the Government Accountancy Service to see these papers.

Yours sincerely,

Derek Rayner

pp. Derek Rayner

Encs: Note 1: Annual scrutiny of departmental running costs
Note 2: (For convenience, a second copy of) Thoughts on a departmental account

