

Part A

TREASURY

Part A

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TCSC Estimates 1984-85

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C

You might like
these pps back for
your 11.00 bilateral
with Sir P Middleton.

AWP

✓

MSP pl M. Peretz - 12/2
w/s

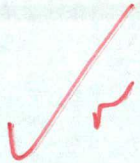


COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 5767 (Direct Line)
01-219 3000 (Switchboard)

C
To be aware.
I understand the reason
given for this switch
is to enable Mr. Higgins
to take part. Mr Sedgemore
is on the main committee
& not sub-committee
though, so officials
may get a altogether
rougher ride.

TREASURY AND CIVIL SERVICE COMMITTEE

4th June 1984



Dear David

Estimates 1984-85

X/ The meeting on 13th June to take evidence from the Customs
(at 10 a.m.) and from the Treasury (at 11.30 a.m.) will now
be with the main Committee (with Mr Terence Higgins in the Chair)
and not with the Sub-Committee.

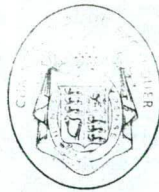
I am copying this to Peter Smith (Customs).

Yours sincerely

Tony Larsen
C.A. Larsen

D.R. Norgrove Esq.,
H M Treasury
Parliament Street
London SW1P 3AG

- cc M. Peretz
- M. Grieve
- Sir Peter Adellester
- A. Bailey
- A. Austin
- A. Balfour
- A. Gilmore
- A. Hester
- A. Fox
- A. Hampford
- A. Needle



FROM: MISS M O'MARA

DATE: 31 May 1984

cc Mr Gilmore
Mr Fox
Mr Collinson

SIR PETER MIDDLETON

ESTIMATES SCRUTINY

The Chancellor has seen your minute of 30 May and Mr Fox's minute and attachments of 24 May. He is content with the notes which have been prepared for the Select Committee but has decided not to speak to Mr Higgins on this occasion, concluding that it could on balance do more harm than good.

MOM

MISS M O'MARA



c

The TSC are apparently pressing hard for an response.

The notes here are very largely factual. The only difficulty seems to lie with the Civil list.

Do you want a word with Mr Higgins yourself?

MAN

30/5

NOTES OK.

I don't think

I will speak to Mr H
on this occasion.

If ~~there is~~ a balance, some good, or harm now good.

From: SIR PETER MIDDLETON
Date: 30 May 1984

CHANCELLOR

cc Mr Gilmore
Mr Fox
Mr Collinson

ESTIMATES SCRUTINY

The attached note draws attention to one possible awkwardness in the forthcoming appearance of officials before the Select Committee to discuss the Treasury Estimate. Mr Gilmore will lead the Treasury team.

2. The Committee might take the opportunity to go into details of Civil List expenditure. You will remember that you spoke to Mr Higgins to get his co-operation in not seeking to discuss Civil List matters in the Treasury Committee when it was decided to place the report of the Royal Trustees before Parliament in December last year. SI 1984 39 passed through without incident as a result - and following a good deal of spade work by the Chief Whip.

3. None of this will be known to the Sub-Committee headed by Austin Mitchell which is charged with considering the Treasury Estimate. I do not think it would be wise to try to disturb this arrangement - the main committee contains some troublesome characters in this regard - such as Mr Sedgemore. But I do wonder whether it might be worth reminding Mr Higgins of this area of sensitivity before the hearing. We could then leave it to his judgement whether

to raise the matter informally with Mr Mitchell. In any event, the Treasury team will not be able to go beyond the information given in the report of the Royal Trustees as indicated in paragraph 3 of Mr Fox's brief.

A handwritten signature in black ink, appearing to be 'P E Middleton', written in a cursive style.

P E MIDDLETON

From: B FOX
24 May 1984

1. SIR P MIDDLETON
2. CHANCELLOR OF THE EXCHEQUER

copies attached for:

Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Mr Bailey
Sir T Burns
Mr Littler
Mr Battishill
Mr Gilmore (or)
Mr Binns

ESTIMATES SCRUTINY


As you know, we are to appear before a sub-committee of the Select Committee on 13 June to discuss the Treasury 1984/85 Estimate. The Clerk to the Committee wrote on 18 May seeking answers, by 1 June, to a number of questions (letter attached). He subsequently asked that we should provide the material as soon as possible in order to fit in with preliminary briefing meetings of the Committee. We said we would do our best to reply early next week.

2. We propose to respond as in the attached notes. Most of the material is straightforward and factual. There are two slightly awkward points.

3. First, there is a question related to the Grant to the Royal Trustees. As you are aware, we are reluctant to see the Select Committee taking an interest in these Civil List matters. The response offered to the Select Committee's question on this occasion is, therefore, highly formal and deliberately so. In response to any oral questions officials will not be drawn beyond the detailed information given in the Royal Trustees Report of 31 December 1983.

4. The second, much less awkward point, is that as a result of changes earlier this year, the organisation and nomenclature of the various sectors is slightly different to that which appears on the face of the Estimate. To avoid confusion, the material in the attached note is organised on the Estimate basis but points out the subsequent changes.

5. I should be glad to know if you would be content for the attached note to be passed on to the Select Committee.


B FOX



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

01-219 (Direct Line)
01-219 3000 (Switchboard)

TREASURY AND CIVIL SERVICE COMMITTEE

18 May 1984

A M W Battishill Esq
H M Treasury
Parliament Street
London SW1P 3AG

Dear Tony

ESTIMATES 1984-85

It would be helpful to the Sub-Committee if, in advance of the meeting on 13 June 1984 you could supply them with the following information:-

(i) can you let us have an explanatory note about subhead A 1. What is this money provided for? We notice that the provision in 1983-84 amounted to over £3 million.

D. C.

(ii) subhead B 1 (2) refers to salaries of 480 staff at 1.4.84 decreasing to 487½ at 31.3.85. Which figure is incorrect?

J. N.

(iii) with regard to subhead B 1 of Vote 54 can you tell us, in general terms, how the Treasury is organised? We would like to know what is meant by the "central sector", the "pay and allowances" sector and so on.

H.B. / S.B.

(iv) again with regard to subhead B 1 what is meant by "general expenses" and by "capital expenditure". Are these services provided by other parts of government, like the PSA, on a repayment basis?

J. N.

(v) will you please give a broad breakdown by grade of the staff employed in the various parts of your organisation?

J. N.

(vi) with regard to subhead B 2 (and Table 3) why did the provision for salaries increase so sharply in 1984-85 and the provision for general expenses so sharply in 1983-84?

J. N.

(vii) with regard to subhead C 3, over £5 million is provided and £1 million is recovered in Appropriations in Aid from

4/22

2

A M W Battishill Esq

18 May 1984

non-Exchequer bodies. According to what principle are charges made or not made? Why do 70 departments use the Chessington computer and other make their own arrangements? Have any studies been done of the savings flowing from computerisation?

B.G.

(viii) why is the provision under subhead C 5 borne on the Treasury vote?

~~FR~~
K. Jones!

(ix) does the provision under subhead C 6 represent the whole cost of the honours system?

D.C.

(x) with regard to subhead C 7 why has the income from the Chequers Trust fallen so far short of the costs of running Chequers?

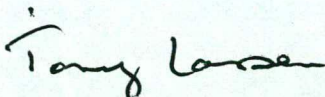
P.R.

(xi) with regard to the Appropriations in Aid in general, what are the principles which govern whether a service should be charged out or not?

J.N.

It would be helpful to have your replies to these questions by Friday 1 June 1984 at the latest.

Yours sincerely



C A LARSEN

(i) Can you let us have an explanatory note about Subhead A1. What is this money provided for? We notice that the provision in 1983-84 amounted to over £3m

Section 1(1) of the Civil List Act 1975 (copy attached) provides for the Treasury to make payments to the Royal Trustees* in supplementation of sums payable under Section 6(1) of the Civil List Act 1972 (copy attached). Such supplementary payments are made following periodical Reports by the Royal Trustees under the provisions of Section 5 of the Civil List Act 1972 (as amended by the Civil List Act 1975); under these provisions the periodical Reports are made to the Treasury who are required to lay the Reports before Parliament. The most recent such report was made by the Royal Trustees on 31 December 1983 and laid before Parliament as H.C. 183 of 16 January 1984 (copy attached). The recommendations of the Royal Trustees in the Report were given statutory effect by the Civil List (Increase of Financial Provision) Order 1984, S.I. 1984 No 39 (copy attached).

Under the provisions of the Civil List Acts Civil List expenditure is defined and accounted for in calendar years. The supplementation paid to the Royal Trustees from the Treasury Administration Vote Class XIII, Vote 4 thus includes provision in respect of part of two calendar years.

The provision on Subhead A1 of £3,133,000 (reduced to £3,087,000 for the reduction in the National Insurance surcharge and the 7 July measures) for 1983-84 represented provision for supplementation in the last nine months of calendar (and Civil List) year 1983 and for the first three months of calendar year 1984.

Following the Royal Trustees Report of 31 December 1983 and the provision of S.I 1984 No. 39 only £2,159,000 was issued from the Vote in the year 1983-84; all Civil List payments from 1 January 1984 in respect of the calendar (and Civil List) year 1984 will be made direct from the Consolidated Fund. The provision in 1984-85 of £100,000 represents provision for grants by way of supplementation for the first quarter of calendar year 1985.

*Section 10 of the Civil List Act 1952 (copy attached) constitutes the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse as the Royal Trustees.



Civil List Act 1975

1975 CHAPTER 82

An Act to provide for supplementing out of moneys provided by Parliament the sums payable under the enactments mentioned in section 6(1) of the Civil List Act 1972; and to repeal section 5(2)(b) of that Act.

[19th December 1975]

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1.—(1) The Treasury may, out of moneys provided by Parliament, make payments to the Royal Trustees to be applied by them for supplementing all or any of the sums payable under the enactments mentioned in section 6(1) of the Civil List Act 1972 (the Queen's Civil List, annuities for members of the Royal Family, contributions to expenses of certain members of the Royal Family not in receipt of annuities, and Civil List pensions). Supplements to sums payable under Civil List Acts. 1972 c. 7.

(2) Paragraph (b) of section 5(2) of the said Act of 1972 (which requires the Royal Trustees to report if at any time it appears to them that the Civil List expenditure for the next calendar year will exceed the sums available under that Act to meet that expenditure) shall not apply to expenditure for any year after 1975; and accordingly that paragraph, together with the word "and" immediately preceding it, is hereby repealed.

(3) In this section "the Royal Trustees" means the trustees constituted by section 10 of the Civil List Act 1952. 1952 c. 37.

2. This Act may be cited as the Civil List Act 1975.

Short title.

Repealed 1975 S1(2)

(b) a report shall be made if at any time it appears to the Royal Trustees that the Civil List expenditure for the next calendar year will exceed the sums available under this Act to meet that expenditure unless an order or a further order is made under the following provisions of this Act.

(3) The Royal Trustees shall also keep under review the other amounts which can be increased in accordance with the following provisions of this Act, and any related matters, and they may, in a report on Civil List expenditure, or in a separate report, give any information on those matters.

(4) The Treasury shall lay a copy of any report made to them under this section before the Commons House of Parliament.

6.—(1) The Treasury may from time to time by order increase all or any of the following sums, that is—

Power by order to increase financial provision made by this Act.
1837 c. 2.
(1 & 2 Vict.
1837 c. 32.
1952 c. 37.

(a) the yearly sum mentioned in section 1(1) of this Act,

(b) the sums mentioned in section 5 of the Civil List Act 1837, sections 3 and 4(2) of the Civil List Act 1937 and sections 3 to 6 of the Civil List Act 1952, as amended by this Act,

(c) the yearly sums mentioned in subsections (7) and (8) of section 2, and in subsection (1) of section 3, of this Act.

(2) In exercising the powers conferred by this section the Treasury shall take account of the information afforded by any report made by the Royal Trustees.

(3) An order under this section may be made so as to take effect from the beginning of the calendar year in which it is made.

(4) An order under this section may contain such supplemental provisions, including provisions for the consequential amendment of any enactment mentioned in subsection (1) of this section, as may appear to the Treasury to be necessary or expedient.

(5) An order under this section shall be made by statutory instrument subject to annulment in pursuance of a resolution of the Commons House of Parliament.

7. The sums required for any payments under this Act shall be charged on and paid out of the Consolidated Fund, and shall be paid at such times and in such manner as the Treasury may direct.

Charge of payments under this Act.

8.—(1) This Act may be cited as the Civil List Act 1972.

(2) In this Act—

“Civil List expenditure” has the meaning given by section 1(3) of this Act,

Short title and supplemental provisions.

CIVIL LIST ACTS 1972 AND 1975

REPORT OF THE ROYAL TRUSTEES

*Presented in pursuance of Section 5(4)
of the Civil List Act 1972*

*Ordered by The House of Commons to be printed
16 January 1984*

LONDON
HER MAJESTY'S STATIONERY OFFICE

Price £2·80 net

Civil List Act 1952, Section 10:—

“The persons who are for the time being the First Commissioner of Her Majesty’s Treasury, the Chancellor of the Exchequer, and the Keeper of Her Majesty’s Privy Purse shall be the Royal Trustees for the purposes of this Act . . .”

Civil List Act 1972, Section 5:—

“(1) The Royal Trustees shall keep under review the yearly amounts of Civil List expenditure, and the sums available under this Act to meet that expenditure, and shall in accordance with this section from time to time make reports to the Treasury concerning those matters.”

“(2) A report may be made at any time, and

(a)
..... subsequent such reports shall, until the end of the present reign, be made at intervals of not more than ten years.”

“(3) The Royal Trustees shall also keep under review the other amounts which can be increased in accordance with the following provisions of this Act, and any related matters, and they may, in a report on Civil List expenditure, or in a separate report, give any information on these matters.”

Civil List Act 1975, Section 1:—

“1—(1) The Treasury may, out of moneys provided by Parliament, make payments to the Royal Trustees to be applied by them for supplementing all or any of the sums payable under the enactments mentioned in section 6(1) of the Civil List Act 1972 (The Queen’s Civil List, annuities for members of the Royal Family, contributions to expenses of certain members of the Royal Family not in receipt of annuities, and Civil List pensions).”

CIVIL LIST ACTS 1972 AND 1975
REPORT OF THE ROYAL TRUSTEES

Section 5 of the Civil List Act 1972 requires the Royal Trustees to keep under review the yearly amounts of Civil List expenditure and the sums available to meet that expenditure, and from time to time to make reports to the Treasury concerning those matters.

2. The last report of the Royal Trustees under these provisions was made on 31 December 1974. It recommended that the annual payment for The Queen's Civil List mentioned in Section 1(1) of the Civil List Act 1972 should be increased to £1,400,000 and that the yearly sum mentioned in Section 3(1) of the Civil List Act 1972, making provision for contributions towards expenses of the performance of duties pertaining to the Royal Family by those of Their Royal Highnesses for whom Parliament has not undertaken provision, be increased to £85,000. These recommendations were implemented with effect from 1 January 1975 by the Civil List (Increase of Financial Provision Order 1975) S.I. 1975 No. 133.

3. The arrangements established by the Civil List Act 1972 provided for an annual payment to meet the salaries and expenses of Her Majesty's Household and royal bounty, alms and special services. The Civil List Act 1975 Section 1(1) made provision for the Treasury to make payments to the Royal Trustees to be applied by them for supplementing this or any of the sums mentioned in Section 6(1) of the Civil List Act 1972. The amount of the expenditure incurred in the years since 1974 is set out in the Appendices to this Report showing the increasing amounts paid by way of supplementation. The Royal Trustees are satisfied that the system adopted following the previous Royal Trustees Report and the Civil List Act 1975 has worked well, and they recommend that the present level of supplementation should be consolidated with the annual payment under Section 1(1) of the Civil List Act 1972.

4. In addition to the official expenditure borne on the Civil List, certain costs arising from the activities of the Royal Family are met from the Votes of Government Departments. This additional expenditure includes Royal travel at home and overseas on official duties, including the Royal Yacht and The Queen's Flight; the maintenance of Palaces and certain residences occupied by members of the Royal Family and the Royal Household; the provision of stationery and office equipment (up to 1980 when this item was transferred to the Civil List) and telecommunications services for the Royal Household; and certain ceremonial and equerry attendance. Details of this additional expenditure in the years since 1974 are set out in Appendix VIII.

5. The Civil List meets the cost of staff and expenses incurred wherever the Court is in residence in providing for the official duties of The Queen as Head of State. About 70 per cent of the total is disbursed on salaries of the staff working in the Royal Household. The majority of these staff are paid salaries which are directly linked to those of comparable grades in the Civil Service and since 1972 they have received increases similar to those awarded to members of the Civil Service. This is the principal cause of the increase in Civil List expenditure.

6. The net result is that Civil List expenditure in 1983 is likely to reach £3,700,000 and while it is not yet possible to forecast with accuracy the amount which will be required in 1984 the Royal Trustees recommend that a provision of £3,850,000 representing an increase of 4 per cent on the expenditure to be incurred in 1983, may just be adequate to maintain existing standards through 1984.

7. The Royal Trustees are satisfied that any lesser increase would lead to a significant reduction in the scale or style of Royal occasions and appearances, contrary to the recommendation of the Select Committee on the Civil List recorded in paragraph 21 of their 1971-72 Report. Nevertheless the Royal Trustees are able to report that they are satisfied that every effort has been made to secure continuing economies in the administration of the Royal Household.

8. Section 5 of the 1972 Act also requires the Royal Trustees to keep under review the other amounts which can be increased under the Act. Section 3 provides the Royal Trustees with a yearly sum for making contributions towards expenses of the performance of duties pertaining to the Royal Family by those of Their Highnesses for whom Parliament has not made other provision. The payments so made are set out in Appendices IV and V and are refunded to the Consolidated Fund by Her Majesty The Queen. The expenses incurred by these members of the Royal Family are subject to the same inflationary influences as bear on the Civil List itself and a further increase will be required if their staff are not to be penalised. The Royal Trustees recommend that provision be made for the payment to them to be increased to £331,000 a year, representing an increase of 4 per cent on the consolidated provision of £318,300 in 1983.

9. In addition, annuities are paid to other members of the Royal Family under the provisions of the Civil List Acts and these have been supplemented by the Treasury by means of payments to the Royal Trustees under the provisions of Section 1(1) of the Civil List Act 1975 in order to cover the expenses incurred in their royal duties. These are listed in Appendices VI and VII which give details of the necessary supplementation. On the same basis of a 4 per cent increase the Royal Trustees recommend that provision be made for the annuities to be increased to the following amounts:—

	£
HRH The Prince Philip Duke of Edinburgh ...	186,500
Her Majesty Queen Elizabeth The Queen Mother	334,400
HRH The Princess Margaret	113,100
HRH The Princess Anne	116,200
HRH Princess Alice, Duchess of Gloucester ...	45,800

10. The Royal Trustees recommend that all the increases should take effect from 1 January 1984.

Margaret Thatcher
Nigel Lawson
Peter Miles

31 December 1983

APPENDIX I
THE QUEEN'S CIVIL LIST, 1975 TO 1983

	1975	1976	1977	1978	1979	1980	1981	1982	Estimate 1983
	£	£	£	£	£	£	£	£	£
Civil List Expenditure	1,408,535	1,614,575	1,895,376	1,935,117	2,281,683	2,900,500	3,260,200	3,545,100	3,676,900
Grant	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Supplement on Vote ...	8,535	214,575	495,376	535,117	881,683	1,500,500	1,860,200	2,145,100	2,276,900

APPENDIX II
THE QUEEN'S CIVIL LIST: SALARIES AND EXPENSES BY DEPARTMENTS 1975 TO 1983

	1975	1976	1977	1978	1979	1980	1981	1982	Estimate 1983
	£	£	£	£	£	£	£	£	£
SALARIES OF THE HOUSEHOLD									
Department of the Private Secretary } ...	245,852	282,407	314,482	314,467	357,584	476,714	551,475	612,086	611,277
Department of the Treasurer									
Department of the Master of the Household	457,264	539,704	600,749	637,148	745,218	924,776	1,038,059	1,095,644	1,139,558
Department of the Lord Chamberlain	159,107	180,212	208,423	227,343	254,972	334,324	319,449	322,212	343,338
Department of the Royal Mews	146,455	169,196	190,848	200,641	271,395	354,777	402,889	420,314	434,427
	1,008,678	1,171,519	1,314,502	1,379,599	1,629,169	2,090,591	2,311,872	2,450,256	2,528,600
EXPENSES OF THE HOUSEHOLD									
Department of the Private Secretary } ...	58,086	42,311	67,612	14,988	63,029	71,527	142,909	67,985	88,300
Department of the Treasurer									
Department of the Master of the Household	247,297	287,213	346,473	383,966	414,113	484,635	547,373	531,044	571,000
Department of the Lord Chamberlain(i)	23,003	28,407	30,836	35,394	41,093	55,095	(i)16,427	90,872	61,500
Department of the Royal Mews	61,271	74,925	125,753	110,970	124,079	131,752	182,142	199,318	218,900
Stationery(ii)	—	—	—	—	—	165,410	139,117	136,314	129,900
Computers/Word Processors	—	—	—	—	—	—	—	64,615	68,500
	389,657	432,856	570,674	545,318	642,314	908,419	1,027,968	1,090,148	1,138,100
Royal bounty, alms and special services(iii)	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200	10,200
Less Deficit recovered from Royal Palaces Presentation Fund (See Appendix IX) ...	—	—	—	—	—	108,710	89,840	5,504	—
TOTAL	£1,408,535	£1,614,575	£1,895,376	£1,935,117	£2,281,683	£2,900,500	£3,260,200	£3,545,100	£3,676,900

(i) See note (v) in Notes to Appendix III.

(ii) Transferred from the Vote for HM Stationery Office when HMSO became a Trading Fund under the Government Trading Funds Act 1973.

(iii) Payments administered by Her Majesty's Government.

APPENDIX III

THE QUEEN'S CIVIL LIST: DETAIL OF HOUSEHOLD EXPENSES (EXCLUDING SALARIES) 1975 TO 1983

	1975	1976	1977	1978	1979	1980	1981	1982	Estimate 1983
	£	£	£	£	£	£	£	£	£
Domestic Expenses:									
Royal Kitchens(i)	55,601	119,185	128,957	132,785	147,792	153,261	175,337	(i) 156,214	150,000
Royal Cellars	13,933	34,391	19,696	27,612	27,163	28,280	37,439	35,595	36,500
Furnishings	37,322	44,039	56,445	73,448	68,509	81,842	93,388	99,832	130,300
Laundry... ..	18,610	18,887	20,407	23,565	24,937	31,235	35,081	32,051	32,000
Flowers	15,122	16,838	24,313	24,016	27,143	30,443	36,347	30,425	32,500
Livery	12,081	10,798	16,079	14,379	21,188	25,922	22,814	27,009	32,500
Royal Garden Parties... ..	47,992	35,220	68,106	78,191	87,738	127,919	140,637	137,905	150,000
Sandringham and Balmoral	905	1,420	1,385	1,221	2,266	3,103	3,894	4,862	5,500
Royal Mews:									
Horses and Carriages:									
Purchase	5,570	7,590	7,097	5,978	4,007	4,070	1,687	—	7,500
Upkeep and Repair(ii)	22,734	27,557	29,906	39,148	47,175	47,555	91,691	88,271	80,000
Motor Cars: Purchase and Hire	159	459	3,355	9,355	8,818	837	2,980	14,287	23,400
Upkeep and Repair	17,801	21,381	27,743	29,482	31,922	37,242	49,680	54,484	55,000
Office Expenses:									
Data Processing Equipment(iii)	—	—	—	—	—	—	—	64,615	68,500
Stationery and Supplies(iv)	—	—	—	—	—	165,410	139,117	136,314	129,900
Newspapers	2,353	2,718	3,217	3,414	3,416	4,917	5,658	5,921	6,000
Insurance	12,231	10,105	10,512	12,271	12,135	11,235	9,342	12,629	12,500
Chapels Royal	10,169	15,275	18,873	19,601	21,435	25,558	26,498	33,779	34,000
Royal Gardens, Windsor	22,664	10,865	10,363	(26,612)	(6,589)	8,364	70,743	(7,840)	—
Travel	7,295	9,965	9,677	12,078	11,858	19,797	16,299	25,412	28,400
Official Presents	10,717	9,275	4,331	11,308	21,915	22,958	9,826	19,589	29,800
Donations, Cups and Prizes	5,924	6,026	8,970	8,083	7,629	8,242	20,027	14,949	11,500
Allowances and Gratuities	11,713	12,751	16,041	17,259	23,112	24,513	28,509	27,542	27,800
Rent and Rates	(1,667)	3,959	(415)	1,353	582	940	2,431	13,540	1,000
Royal Library, Windsor(v)	5,387	(702)	(3,369)	(211)	(4,846)	9,440	(v) (36,729)	12,459	—
Sundry Expenses	15,041	14,854	23,972	27,594	53,009	35,336	45,272	50,304	53,500
Silver Jubilee 1977	—	—	65,013	—	—	—	—	—	—
TOTAL	£389,657	£432,856	£570,674	£545,318	£642,314	£908,419	£1,027,968	£1,090,148	£1,138,100

Figures in brackets denote net receipt.
See Notes to Appendix III on page 8.

NOTES TO APPENDIX III—HOUSEHOLD EXPENSES

(i) *Royal Kitchens*

The reduction in cost of £19,000 in 1982, and the forecast further reduction in 1983, reflect the increased meal charges for Members of Household and staff introduced at the beginning of 1982.

(ii) *Horses and Carriages*

In 1981 a revised schedule of charges was introduced for the forage and veterinary services for official horses quartered at Hampton Court Paddocks.

(iii) *Data Processing Equipment*

In 1982 the Royal Household purchased the first stage of a computer installation, including a number of word-processors. Further development of the system has taken place in 1983.

(iv) *Stationery and Supplies*

The cost of stationery was transferred to the Civil List in 1980 from the Vote for HM Stationery Office when it became a Trading Fund under the Government Trading Funds Act 1973. Significant economies have been achieved since the changeover.

(v) *Royal Library, Windsor*

The credit figure of £36,729 in 1981 is the result of the purchase by the Royal Palaces Presentation Fund of a trading stock of prints from the Royal Library, which is part of the Civil List. This transaction also explains the unusually low figure of £16,427 for the Lord Chamberlain's Office expenses for 1981 in Appendix II.

APPENDIX IV

SECTION 3: PAYMENTS BY ROYAL TRUSTEES TO
OTHER MEMBERS OF THE ROYAL FAMILY

Year	HRH The Duke of Gloucester	HRH The Duke of Kent	HRH Princess Alexandra	HRH Princess Alice Countess of Athlone	Total*
	£	£	£	£	£
1975	15,000	35,000	30,000	5,000	85,000
1976	28,000	45,000	40,000	5,000	118,000
1977	26,000	48,000	50,000	6,000	130,000
1978	39,000	60,000	60,000	6,500	165,500
1979	57,000	78,700	74,500	8,000	218,200
1980	70,500	94,500	89,800	9,000	263,800
1981	78,000	106,000	101,000	73	285,073
1982	83,900	113,000	107,800	—	304,700
1983	87,600	118,000	112,700	—	318,300

* These sums are refunded to the Consolidated Fund by HM The Queen.

APPENDIX V

SECTION 3: PAYMENTS BY ROYAL TRUSTEES TO OTHER MEMBERS OF THE ROYAL FAMILY

Year	HRH The Duke of Gloucester		HRH The Duke of Kent		HRH Princess Alexandra		HRH Princess Alice Countess of Athlone		Total	Total	Total*
	Consoli- dated Fund	Supple- mentation	Consoli- dated Fund	Supple- mentation	Consoli- dated Fund	Supple- mentation	Consoli- dated Fund	Supple- mentation	Consoli- dated Fund	Supple- mentation	
	£	£	£	£	£	£	£	£	£	£	£
1975	15,000	—	35,000	—	30,000	—	5,000	—	85,000	—	85,000
1976	15,000	13,000	35,000	10,000	30,000	10,000	5,000	—	85,000	33,000	118,000
1977	15,000	11,000	35,000	13,000	30,000	20,000	5,000	1,000	85,000	45,000	130,000
1978	15,000	24,000	35,000	25,000	30,000	30,000	5,000	1,500	85,000	80,500	165,500
1979	15,000	42,000	35,000	43,700	30,000	44,500	5,000	3,000	85,000	133,200	218,200
1980	15,000	55,500	35,000	59,500	30,000	59,800	5,000	4,000	85,000	178,800	263,800
1981	20,000	58,000	35,000	71,000	30,000	71,000	—	73	85,000	200,073	285,073
1982	20,000	63,900	35,000	78,000	30,000	77,800	—	—	85,000	219,700	304,700
1983	20,000	67,600	35,000	83,000	30,000	82,700	—	—	85,000	233,300	318,300

* These sums are refunded to the Consolidated Fund by HM The Queen.

APPENDIX VI

CIVIL LIST ANNUITIES: 1975 TO 1983

Year	Her Majesty Queen Elizabeth, The Queen Mother	HRH The Duke of Edinburgh	HRH The Princess Anne, Mrs. Mark Phillips	HRH The Prince Andrew	HRH The Prince Edward	HRH The Princess Margaret, Countess of Snowdon	HRH Princess Alice, Duchess of Gloucester	Total
	£	£	£	£	£	£	£	£
1975	95,000	65,000	35,000	—	—	35,000	20,000	250,000
1976	140,000	85,000	45,000	—	—	50,000	25,000	345,000
1977	155,000	85,000	50,000	—	—	55,000	25,000	370,000
1978	175,000	93,500	60,000	17,262	—	59,000	30,000	434,762
1979	207,500	102,700	65,400	20,000	—	71,500	30,000	497,100
1980	253,900	141,950	88,450	20,000	—	87,750	35,000	627,050
1981	286,000	160,000	100,000	20,000	—	98,000	40,000	704,000
1982	306,600	171,100	106,500	20,000	16,183	104,500	42,000	766,883
1983	321,500	179,300	111,700	20,000	20,000	108,700	44,000	805,200

APPENDIX VII

CIVIL LIST ANNUITIES: 1975 TO 1983

Year	HRH Queen Elizabeth The Queen Mother		HRH The Duke of Edinburgh		HRH The Princess Anne, Mrs. Mark Phillips		HRH The Prince Andrew		HRH The Prince Edward		HRH The Princess Margaret, Countess of Snowdon		HRH Princess Alice, Duchess of Gloucester		Total		Total
	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	Consolidated Fund	Supplement	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1975	95,000	—	65,000	—	35,000	—	—	—	—	—	35,000	—	20,000	—	250,000	—	250,000
1976	95,000	45,000	65,000	20,000	35,000	10,000	—	—	—	—	35,000	15,000	20,000	5,000	250,000	95,000	345,000
1977	95,000	60,000	65,000	20,000	35,000	15,000	—	—	—	—	35,000	20,000	20,000	5,000	250,000	120,000	370,000
1978	95,000	80,000	65,000	28,500	35,000	25,000	17,262	—	—	—	35,000	24,000	20,000	10,000	267,262	167,500	434,762
1979	95,000	112,500	65,000	37,700	35,000	30,400	20,000	—	—	—	35,000	36,500	20,000	10,000	270,000	227,100	497,100
1980	95,000	158,900	65,000	76,950	35,000	53,450	20,000	—	—	—	35,000	52,750	20,000	15,000	270,000	357,050	627,050
1981	95,000	191,000	65,000	95,000	35,000	65,000	20,000	—	—	—	35,000	63,000	20,000	20,000	270,000	434,000	704,000
1982	95,000	211,600	65,000	106,100	35,000	71,500	20,000	—	16,183	—	35,000	69,500	20,000	22,000	286,183	480,700	766,883
1983	95,000	226,500	65,000	114,300	35,000	76,700	20,000	—	20,000	—	35,000	73,700	20,000	24,000	290,000	515,200	805,200

APPENDIX VIII

EXPENDITURE BORNE ON VOTES OF GOVERNMENT DEPARTMENTS ON SERVICES CONNECTED WITH THE ROYAL FAMILY

Department	Service	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84 Estimate
		£	£	£	£	£	£	£	£	£
Foreign and Commonwealth Office	Marshal of the Diplomatic Corps	10,956	11,861	12,959	14,078	16,444	19,850	17,026	29,248	27,724
Foreign and Commonwealth Office	Overseas visits at the request of Government Departments	115,000	122,879	118,238	155,269	314,422	250,431	203,395	231,273	300,000
Department of the Environment	Expenditure on Palaces in occupation of Her Majesty and Residences occupied by Members of the Royal Family	2,757,000	3,074,000	3,547,000	4,547,000	5,439,500	6,211,000	8,002,000	7,380,000	8,057,000
Department of the Environment	Gentlemen-at-Arms and Yeoman of the Guard	16,236	18,358	22,594	19,782	19,711	28,258	27,955	24,080	32,000
Department of Transport	Official travel by train including maintenance of the Royal Train	419,859	289,399	261,885	318,400	296,225	412,068	457,047	633,000	560,000
Stationery Office*	Stationery supplies and services including office machinery	113,887	149,166	158,263	197,299	243,640	—	—	—	—
Treasury	Central Chancery of the Orders of Knighthood	49,033	55,022	60,344	64,286	79,513	97,616	129,683	116,890	119,000
Ministry of Defence	Royal Yacht	2,453,000	2,140,000	3,103,000	2,095,000	6,534,000	3,161,000	4,684,000	4,246,000	9,087,000
Ministry of Defence	Queen's Flight	1,287,000	1,971,000	2,054,000	2,277,000	3,023,000	3,609,000	4,050,000	4,717,000	4,763,000
Ministry of Defence	Equerries	20,000	28,000	32,000	32,000	31,000	55,000	71,000	46,000	48,000
Central Office of Information	Publicity Services	48,000	62,000	74,000	92,000	116,000	132,000	144,000	152,000	159,000

* Transferred from the Vote for HM Stationery Office when HMSO became a Trading Fund under the Government Trading Act 1973.

APPENDIX IX

THE ROYAL PALACES PRESENTATION FUND

The Royal Palaces Presentation Fund is an amalgamation of several funds, including the Windsor Castle State Apartments, The Queen's Gallery of Buckingham Palace and the Palace of Holyroodhouse State Apartments. The revenue comes from admission charges and bookshop sales to members of the public.

After the payment of expenses including wardens' wages, the balance is used to restore and preserve the Royal Collection of pictures, drawings and works of art, including the salaries of the surveyors and their staff. The remaining surplus is invested.

In exceptional circumstances the deficit on The Queen's Civil List for 1980, 1981 and 1982 was met from the Presentation Fund.

HER MAJESTY'S STATIONERY OFFICE

Government Bookshops

49 High Holborn, London WC1V 6HB
13a Castle Street, Edinburgh EH2 3AR
Brazennose Street, Manchester M60 8AS
Southey House, Wine Street, Bristol BS1 2BQ
258 Broad Street, Birmingham B1 2HE
80 Chichester Street, Belfast BT1 4JY

*Government publications are also available
through booksellers*

1984 No. 39

CROWN

**The Civil List (Increase of Financial Provision)
Order 1984**

Made - - - - - 16th January 1984
Laid before the House of Commons 23rd January 1984
Coming into Operation - - - 1st March 1984

The Treasury, in exercise of the powers conferred on them by section 6 of the Civil List Act 1972(a) and of all other powers enabling them in that behalf, and having taken account of the information afforded by the Report made by the Royal Trustees under section 5 of that Act and laid before the House of Commons on 16th January 1984(b), hereby make the following Order:—

1. This Order may be cited as the Civil List (Increase of Financial Provision) Order 1984 and shall come into operation on 1st March 1984.

2. The yearly sum mentioned in section 1(1) of the Civil List Act 1972(c) (annual payment for the Queen's Civil List) shall be increased to £3,850,000 and accordingly in the said section 1(1) for the words "£1,400,000" there shall be substituted the words "£3,850,000".

3. The yearly sum mentioned in section 3 of the Civil List Act 1937(d) (provision for Her Majesty Queen Elizabeth the Queen Mother) shall be increased to £334,400 and accordingly in the said section 3 for the words "£95,000" there shall be substituted the words "£334,400".

4. The yearly sum mentioned in section 3 of the Civil List Act 1952(e) (provision for His Royal Highness the Duke of Edinburgh) shall be increased to £186,500 and accordingly in the said section 3 for the words "£65,000" there shall be substituted the words "£186,500".

5. The yearly sum mentioned in section 4(1)(b) of the Civil List Act 1952(f) (additional provision for a married daughter of Her Majesty namely Her Royal Highness the Princess Anne) shall be increased to £101,200 and accordingly in the said section 4(1)(b) for the words "£20,000" there shall be substituted the words "£101,200".

6. The yearly sum mentioned in section 5(1) of the Civil List Act 1952(g) (provision for Her Royal Highness the Princess Margaret) shall be increased to £107,100 and accordingly in the said section 5(1) for the words "£29,000" there shall be substituted the words "£107,100".

(a) 1972 c.7.

(b) H.C. 183.

(c) Section 1(1) was amended by the Civil List (Increase of Financial Provision) Order 1975 (S.I. 1975/133).

(d) 1937 c.32, section 3 was amended by section 2(1) of the Civil List Act 1972.

(e) 1952 c.37, section 3 was amended by section 2(3) of the Civil List Act 1972.

(f) Section 4(1)(b) was amended by section 2(4)(b) of the Civil List Act 1972.

(g) Section 5(1) was amended by section 2(5) of the Civil List Act 1972.

7. The yearly sum mentioned in section 2(7) of the Civil List Act 1972 (provision for Her Royal Highness Princess Alice, Duchess of Gloucester) shall be increased to £45,800 and accordingly in the said section 2(7) for the words "£20,000" there shall be substituted the words "£45,800".

8. The yearly sum mentioned in section 3(1) of the Civil List Act 1972(a) (provision for making contributions towards expenses of the performance of duties pertaining to the Royal Family by those of Their Royal Highnesses for whom Parliament has not made other provision) shall be increased to £331,000 and accordingly in the said section 3(1) for the words "£85,000" there shall be substituted the words "£331,000".

9. This Order shall take effect from 1st January 1984.

10. The Civil List (Increase of Financial Provision) Order 1975(b) is hereby revoked.

MARGARET THATCHER
NIGEL LAWSON

Two of the Lords Commissioners
of Her Majesty's Treasury.

16th January 1984

(a) Section 3(1) was amended by the Civil List (Increase of Financial Provision) Order 1975 (S.I. 1975/133).

(b) S.I. 1975/133.

EXPLANATORY NOTE

(This Note is not part of the Order.)

This Order increases the annual payment for the Queen's Civil List, namely the sum appropriated to the salaries and expenses of Her Majesty's Household, and royal bounty, alms and special services. The amount was fixed at £1,400,000 by the Civil List (Increase in Financial Provision) Order 1975 ("the 1975 Order") and this Order authorises an annual payment of £3,850,000.

This Order also provides for the following increases in the yearly sums payable to other members of the Royal Family:

Her Majesty Queen Elizabeth the Queen Mother from £95,000 to £334,400

HRH the Prince Philip Duke of Edinburgh from £65,000 to £186,500

HRH the Princess Anne from £20,000 to £101,200

HRH the Princess Margaret from £29,000 to £107,100

HRH Princess Alice, Duchess of Gloucester from £20,000 to £45,800

In addition to the £101,200 authorised by this Order Her Royal Highness the Princess Anne will continue to be entitled to the yearly sum of £15,000 under section 4(1)(a) of the Civil List Act 1952 and Her Royal Highness the Princess Margaret will continue to be entitled to the yearly sum of £6,000 under section 6(1) of the Civil List Act 1937 in addition to the £107,100 authorised by this Order.

This Order also increases the yearly sum paid to the Royal Trustees as a contribution towards the expenses of official duties undertaken by those of their Royal Highnesses for whom Parliament has not made other provision. The 1975 Order fixed this yearly payment at £85,000 and the yearly sum authorised by this Order is £331,000.

All the yearly sums increased by this Order have hitherto been supplemented out of money voted by Parliament under section 1 of the Civil List Act 1975 (1975 c.82).

In accordance with the power in section 6(3) of the Civil List Act 1972, provision is made for the Order to take effect from 1st January 1984.

The Order revokes the 1975 Order.

STATUTORY INSTRUMENTS

1984 No. 39

CROWN

**The Civil List (Increase of Financial Provision)
Order 1984**

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mentioned in subsection (1) of this section, the trustees shall make good the deficiency by application of moneys in their hands by virtue of this section.

(4) The trustees may at the request of the Treasury make out of moneys in their hands by virtue of this section advances towards meeting expenditure of class II or class III before that expenditure has been audited, and, where such advances have been made, such adjustment shall be made after the audit as may in the circumstances of the case appear to the Treasury to be required.

(5) If, as respects any calendar year, there is in the case of one of classes II and III a deficiency, and in the case of the other of those classes an excess, in the amount specified therefor in the First Schedule to this Act as compared with audited expenditure, the Treasury may direct that the appropriations to the class as to which the excess arises be applied, up to the amount of the deficiency, in meeting expenditure of the other class.

(6) Any moneys in the hands of the trustees by virtue of this section at the end of the present reign shall be dealt with in such manner as Parliament may hereafter determine.

Constitution
of Royal
Trustees.

10. The persons who are for the time being the First Commissioner of Her Majesty's Treasury, the Chancellor of the Exchequer, and the Keeper of Her Majesty's Privy Purse shall be the Royal Trustees for the purposes of this Act, and shall be a body corporate by that name, and any act of the trustees may be signified under the hands and seals of the persons who are the trustees for the time being.

Meaning of
"net revenues
of the Duchy
of Cornwall".

11.—(1) For the purposes of this Act the expression "net revenues of the Duchy of Cornwall" means, in relation to any year, the sum certified in respect of each year by the joint certificate of the auditor of the Duchy and the auditor of the Civil List to be the surplus in that year of the receipts of the Duchy over the disbursements therefrom, after deducting therefrom

13.—(1) Sections 12 and 13 relate to Civil List pensions for the Civil List

Provided that the sum of two hundred pounds a year shall occur, and the day of March of June" in e

(2) The Civil List under this or powers for the hereditary into the Exch

(3) The provisions of section ten, fifteen, of the Duke of mentioned in to the extent

(4) This Act Crown, and Treasury re

14. This

(ii) Subhead B1(2) refers to salaries of 480 staff at 1.4.84 decreasing to 487½ at 31.3.85. Which figure is correct?

The staff numbers in the Central Sector will reduce to 478½ at 31 March 1985 and not 487½ as printed in the Estimate. This printing error will be corrected in the Revised Estimate which is required to take account of the abolition of the National Insurance Surcharge.

(iii) Subhead B1. Can you tell us in general terms how the Treasury is organised? We should like to know what is meant by the "central" sector, the "pay and allowances" sector and so on.

1. The Treasury comprises a central organisation responsible for assisting Ministers with the formulation and conduct of economic policy and the control of public expenditure; the Central Computer and Telecommunications Agency; the Civil Service Catering Organisation; the Chessington Computer Centre; and the Rating of Government Property Department. Subhead B1 covers only the central Treasury (excepting the overall policy and management responsibilities of Ministers and senior management for the other areas).

2. The work of the sectors itemised under Subhead B1 is described in the succeeding paragraphs. Three Sectors - namely the Chief Economic Adviser's, Overseas Finance and Public Services - are each headed by a Second Permanent Secretary. Commands in the remaining sectors generally report direct to the Permanent Secretary. An organisation chart showing reporting lines is attached at Annex A.

3. The Central Sector (Subhead B1(2)), encompasses three distinct areas of work:

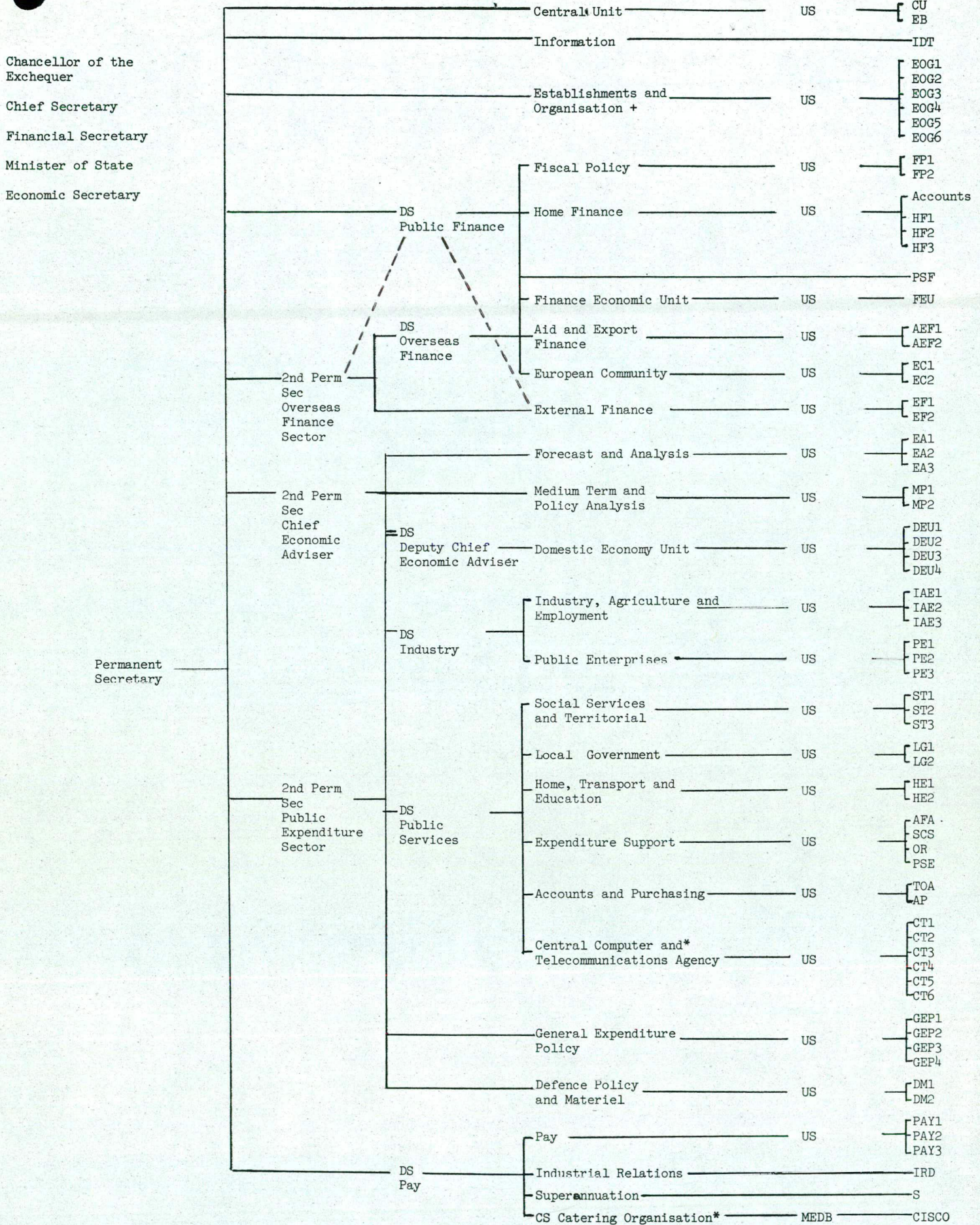
- (i) The Establishments and Organisation Group is responsible for the management of the department and its staff, covering personnel management, training, pay and conditions, management services, and finance and the provision of common supporting services including messengers, typing pools, library, reproduction facilities and accommodation. It is headed by the Principal Establishment and Finance Officer who reports direct to the Permanent Secretary.
- (ii) The Information Division handles the Treasury's contacts with the media and produces the monthly Economic Progress Report.
- (iii) Central Unit undertakes within the Treasury general co-ordination of policy advice, and of the preparation of Budgets and other major policy statements. The unit includes the Treasury's Economic Briefing Division.

The subhead also includes the staff in the private offices of Treasury Ministers and the Permanent Secretary.

4. The Pay and Allowances Sector (Subhead B1(3)), now known as Pay, deals with the civil service pay, pensions and allowance system for industrial and non-industrial staff, as well as with such matters as the pay of the judiciary, Ministers, MPs and the TSRB groups. It also provides advice and briefing on pay matters generally. It is headed by a Deputy Secretary.

up-to-date
L

5. The Chief Economic Adviser's Sector (Subhead B1(4)) is primarily staffed by professional economists and statisticians who provide economic analysis and policy advice for Ministers. They are also responsible for the Treasury's major forecasting exercises connected with the Budget and the Public Expenditure White Paper and with the publication of the Industry Act forecasts. (~~The sector also conducts medium term analysis.~~)
6. The Overseas Finance Sector (Subhead B1(5)) advises Ministers on world economic developments, international financial questions and relations between the UK and other countries, including the European Community. The sector's work also covers the management of the UK's foreign exchange reserves and external debt. (As shown on the organisation chart, at Deputy Secretary level responsibility for exchange rate management is brought together with responsibility for fiscal and monetary policy.)
7. The Domestic Economy Sector (Subhead B1(6)) includes provision for the Public Finance command, headed by a Deputy Secretary and concerned chiefly with monetary and fiscal policy, and the Domestic Economy Unit, which provides economic and accounting advice on industrial and taxation matters.
8. The Public Services Sector (Subhead B1(7)), now known as the Public Expenditure Sector, co-ordinates the planning and control of public expenditure and has direct responsibility for Treasury control of most of the main public expenditure programmes. It includes the specialist advisers working in support of administrative staff responsible for the control of individual expenditure programmes. Policy on industry (including agriculture, energy policy and the financing and investment programmes of nationalised industries) is the responsibility of a Deputy Secretary within the sector.
9. Within the broad functional commands described above, staff in operational areas are brigaded into Under Secretary Groups or, in cases where the Under Secretary tier is not considered necessary, Divisions headed by an Assistant Secretary. The typical Treasury Group comprises two or three Divisions each containing 2-4 Principals (or specialist equivalents) or SEOs supported by a small number of executive and clerical staff. An outline description of the responsibilities of Under Secretary Groups (or, where appropriate, Assistant Secretary Divisions) is at Annex B.



+includes common supporting services staff

*not included in Central Treasury Vote

--- Reporting line on exchange rate management

UNDER/ASSISTANT SECRETARY COMMANDS: DESCRIPTION OF BUSINESS

Central Unit (CU - Under Secretary): general co-ordination of policy advice and of Budgets and other sets of policy measures; economic briefing.

Information Division (IDT - Assistant Secretary): full range of Treasury's contacts with the media; Economic Progress Report.

Establishments and Organisation Group (EOG - Under Secretary): central management of staff and other resources, covering personnel management, training, pay and conditions, management services, finance, and the provision of common supporting services.

Fiscal Policy Group (FP - Under Secretary): general policy on direct and indirect taxation; control of manpower and related expenditure in Inland Revenue and Customs and Excise.

Home Finance Group (HF - Under Secretary): domestic financial and monetary policy; government policy towards financial institutions; management of central government's receipts and payments.

Public Sector Finance Division (PSF - Assistant Secretary): responsible for co-ordinating and developing work on monetary and forecasting public sector finances; central source in the Treasury for all figures and briefing on the PSBR.

Finance Economic Unit (FEU - Under Secretary): economic advice to divisions in Overseas Finance Sector; research and advice on domestic financial and monetary issues.

Aid and Export Finance Group (AEF - Under Secretary): general policy on overseas aid and control of manpower in Overseas Development Administration; trade and export finance policies; relations with World Bank and regional development banks; international aid and energy matters.

European Community Group (EC - Under Secretary): financial and economic aspects of UK's membership of European Community including the EC budget and control of the UK contribution to it.

External Finance Group (EF - Under Secretary): policy matters relating to exchange rate, reserve management and balance of payments; briefing and forecasting on the world economy; economic assessment of major developed economies; UK relations with IMF, OECD and other international bodies. On exchange rate management the Group reports to the Deputy Secretary, Public Finance.

Forecast and Analysis Group (EA - Under Secretary): domestic forecasting and analysis; monetary and balance of payments forecasting and analysis; economic modelling.

Medium Term and Policy Analysis Group (MP - Under Secretary): macroeconomic policy analysis, supply side analysis.

Domestic Economy Unit (DEU - Under Secretary): economic and accounting advice on industry and taxation.

Industry Agriculture and Employment Group (IAE - Under Secretary): control of expenditure by Ministry of Agriculture, Fisheries and Food, and its Scottish and Welsh counterparts; control of expenditure relating to employment; control of expenditure by Department of Industry; industrial and agricultural issues and finance; general briefing on price matters.

Public Enterprises Group (PE - Under Secretary): policy towards the nationalised industries; domestic energy and transport issues.

Social Services and Territory Group (ST - Under Secretary): policy on social security benefits; expenditure by Department of Health and Social Security; control of public expenditure in Northern Ireland, Wales and Scotland.

Local Government Group (LG - Under Secretary): policy on local authority expenditure; water industry finance; control of expenditure in Department of Environment and Property Services Agency; housing policy and expenditure; civil accommodation services; expenditure on historic buildings, royal palaces and parks; control of expenditure in Ordnance Survey, HMSO, Treasury and various other small departments.

Home, Transport and Education Group (HE - Under Secretary): expenditure on road programmes; control of Home Office expenditure; expenditure on administration of justice programmes; expenditure on education and science, libraries and church bodies.

Expenditure Support Group (ESG - Under Secretary): operational research advice to Treasury divisions; economic advice to public expenditure divisions; accountancy, finance and audit advice to government departments and Treasury divisions; statistical and computing services.

Accounts and Purchasing Group (AP - Under Secretary): Treasury Officer of Accounts; relations with Public Accounts Committee and Exchequer and Audit Department; government accounting arrangements; advice to Treasury divisions on range of financial and accountancy matters; general questions on public purchasing policy.

General Expenditure Policy Group (GEP - Under Secretary): general policy on, and analysis of, public expenditure planning; co-ordination of survey reports, White Paper and major statements on public expenditure; advice on cash limits; monitoring public sector income, expenditure and borrowing requirements; general policy on control of civil service manpower; staff inspections and evaluation in the civil service departments.

Defence, Policy and Materiel Group (DM - Under Secretary): control of expenditure by Ministry of Defence, defence policy and procurement issues.

Pay (Under Secretary): all matters relating to pay of non-industrial and industrial civil service grades; pay of fringe bodies; advice and briefing on pay matters generally.

Industrial Relations Division (IRD - Assistant Secretary): Civil Service industrial relations.

Superannuation Division (S - Assistant Secretary): formulation and administration of superannuation policy within the civil service; policy on other public sector bodies.

(iv) Again with regard to Subhead B1, what is meant by "general expenses" and by "capital expenditure"? Are these services provided by other parts of Government, like the PSA, on a repayment basis?

"General expenses" are the current non-pay costs of administration. They include accommodation expenses, telephone charges, fees to consultants, the hire and maintenance costs of computer equipment and office machinery, travel and subsistence expenses, etc.

"Capital expenditure" covers purchases of computer equipment, office machinery items and furniture and fittings.

Some of these services are provided by other Government departments on a repayment basis - eg accommodation services by the Property Services Agency, stationery and office equipment by Her Majesty's Stationery Office, selected training courses by the Civil Service College.

(v) Will you please give a broad break-down by **grade** of the staff employed in the various parts of your organisation?

The attached tables provide the grade break-down requested. Data is provided in respect of the figures used in support of the cash provision sought as at 1 April 1984 and 1 April 1985.

Staff employed in the Central Computers and Telecommunications Agency and the Civil Service Catering Organisation are provided for on Class XII, Votes 13 and 14 respectively.

ECONOMIC AND FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII VOTE 4
 BREAKDOWN BY GRADE OF STAFF INCLUDED IN CIVIL SERVICE MANPOWER COUNT AT 1 APRIL 1984

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
1st Permanent Secretary	1						1				1
2nd Permanent Secretary			1		1	1	3				3
Deputy Secretary	1	1	1	1	1	1	6				6
Under Secretary	2	1	3	4	2	11½	23½				23½
Assistant Secretary	5	5	3	8	10	23½	54½				54½
Senior Principal	3	2	1	1		8½	15½			1	16½
Principal	11	19		13	9	62	114		1	4	119
Senior Executive Officer	16	14		2	3	47	82		1	13	96
Higher Executive Officer	27	24	2	11	7	48	119		1	44	164
Administration Trainee				1	2	4	7				7
Executive Officer	50½	39	3	15	9	48	164½		7	93	264½
Clerical Officer	112	32	1	20	11	52	228		15	150	393
Clerical Assistant	46½	15	2	3	4	25	95½		2	31	128½
Senior Personal Secretary	3	1	3	2	2	3	14		1		15
Personal Secretary	11	6½	5	11	11	35	79½			1	80½
Senior Messenger	21						21		1	1	23
Messenger	39						39		2	6	47
Paperkeeper	22						22		1	3	26
Economic Adviser	3		14	8	5	6	36				36
Senior Economic Asst			10	4	2	1	17				17
Economic Assistant	1		2		2		5				5
Statistician			3			10	13				13
Senior Asst Statistician			1			6	7				7
Assistant Statistician						2	2				2
Principal Scientific Officer						6	6				6
Senior Scientific Officer						6	6				6
Higher Scientific Officer						3	3				3
Scientific Officer						2	2				2

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTR- ATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
Higher Executive Officer (D)	6	2		1		5	14				14
Treasury Valuer									1		1
Deputy Treasury Valuer									1		1
Senior Assistant Valuer									8		8
Principal Information Officer	2						2				2
Senior Information Officer	8						8				8
Chief Superintendent of Typists	2						2				2
Senior Superintendent of Typists	6						6				6
Superintendent of Typists	2						2			1	3
Senior Data Processor						1	1			17	18
Data Processor				2			2			50	52
Typists	51	2		2	1	10	66			4	70
Office Keeper (Grade 1A)	1						1				1
Office Keeper (Grade 2)	1						1			1	2
Chief Photoprinter	1						1				1
Photoprinter (Grade 1)	5						5		1		6
Photoprinter (Grade 2)	7						7				7
Assistant Chief Photoprinter	1						1				1
Senior Librarian	1						1				1
Librarian	2						2				2
Assistant Librarian	2						2				2
Porter	7						7			3	10
Security Officer Grade 1							-	1			1
Security Officer Grade 2							-	2			2
Security Officer Grade 3							-	5			5
Security Officer Grade 4							-	33		1	34
Security Officer Grade 5							-	52		7	59
TOTAL	480	163½	55	109	82	427½	1317	93	43	431	1884

ECONOMIC AND FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII VOTE 4
 BREAKDOWN BY GRADE OF STAFF INCLUDED IN CIVIL SERVICE MANPOWER COUNT AT 1 APRIL 1985

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
1st Permanent Secretary	1						1				1
2nd Permanent Secretary			1		1	1	3				3
Deputy Secretary	1	1	1	1	1	1	6				6
Under Secretary	2	1	3	4	2	11 $\frac{1}{2}$	23 $\frac{1}{2}$				23 $\frac{1}{2}$
Assistant Secretary	5	5	3	8	10	23 $\frac{1}{2}$	54 $\frac{1}{2}$				54 $\frac{1}{2}$
Senior Principal	3	2	1	1		8 $\frac{1}{2}$	15 $\frac{1}{2}$			1	16 $\frac{1}{2}$
Principal	11	19		13	9	62	114	1		4	119
Senior Executive Officer	16	14		2	3	47	82	1		13	96
Higher Executive Officer	27	24	2	11	7	48	119	1		44	164
Administration Trainee				1	2	4	7				7
Executive Officer	50 $\frac{1}{2}$	38	3	15	9	48	163 $\frac{1}{2}$	7		91	261 $\frac{1}{2}$
Clerical Officer	111	32	1	19	11	52	226	15		147	388
Clerical Assistant	46	14 $\frac{1}{2}$	2	3	4	25	94 $\frac{1}{2}$	2		30	126 $\frac{1}{2}$
Senior Personal Secretary	3	1	3	2	2	3	14	1			15
Personal Secretary	11	6 $\frac{1}{2}$	5	11	11	35	79 $\frac{1}{2}$			1	80 $\frac{1}{2}$
Senior Messenger	21						21	1		1	23
Messenger	39						39	2		6	47
Paperkeeper	22						22	1		3	26
Economic Adviser	3		14	8	5	6	36				36
Senior Economic Asst			10	4	2	1	17				17
Economic Assistant	1		2		2		5				5
Statistician			3			10	13				13
Senior Asst Statistician			1			6	7				7
Assistant Statistician						2	2				2
Principal Scientific Officer						6	6				6
Senior Scientific Officer						6	6				6
Higher Scientific Officer						3	3				3
Scientific Officer						2	2				2

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
Higher Executive Officer (D)	6	2		1		5	14				14
Treasury Valuer									1		1
Deputy Treasury Valuer									1		1
Senior Assistant Valuer									8		8
Principal Information Officer	2						2				2
Senior Information Officer	8						8				8
Chief Superintendent of Typists	2						2				2
Senior Superintendent of Typists	6						6				6
Superintendent of Typists	2						2			1	3
Senior Data Processor						1	1			15	16
Data Processor				2			2			47	49
Typists	51	2		2	1	10	66			4	70
Office Keeper (Grade 1A)	1						1				1
Office Keeper (Grade 2)	1						1			1	2
Chief Photoprinter	1						1				1
Photoprinter (Grade 1)	5						5		1		6
Photoprinter (Grade 2)	7						7				7
Assistant Chief Photoprinter	1						1				1
Senior Librarian	1						1				1
Librarian	2						2				2
Assistant Librarian	2						2				2
Porter	7						7			3	10
Security Officer Grade 1							-	1			1
Security Officer Grade 2							-	2			2
Security Officer Grade 3							-	5			5
Security Officer Grade 4							-	32		1	33
Security Officer Grade 5							-	52		7	59
TOTAL	478½	162	55	108	82	427½	1313	92	43	420	1868

ECONOMIC & FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII, VOTE 4

BREAKDOWN OF STAFF NOT INCLUDED IN CIVIL SERVICE MANPOWER COUNT BY GRADE

These figures apply throughout 1984-85

NATIONAL ECONOMIC DEVELOPMENT OFFICE

Civil Service equivalent grades

Second Permanent Secretary	1
Deputy Secretary	1
Under Secretary	2
Assistant Secretary	12 $\frac{1}{2}$
Senior Principal	6
Principal	60
Senior Executive Officer	7
Higher Executive Officer	9
Executive Officer	35
Clerical Officer	28
Clerical Assistant	4
Senior Personal Secretary	3
Personal Secretary	12
Chief Superintendent of Typists	1
Superintendent of Typists	1
Typist	11 $\frac{1}{2}$
Chief Photoprinter	1
Photoprinter Grade 1	4
Photoprinter Grade 2	1
Office Keeper Grade 3	1
Senior Messenger	1
Messenger	4
Paperkeeper	2
Porter	3
	<hr/>
TOTAL	211

OFFICE OF THE LORD LYON

Lord Lyon	1
Lyon Clerk	1
Secretary	2
	<hr/>
TOTAL	4

CENTRAL MANAGEMENT OF THE CIVIL SERVICE: COMPUTERS AND TELECOMMUNICATIONS
 (HM TREASURY) CLASS XIII VOTE 13
 BREAKDOWN OF STAFF BY GRADE

	1.4.84	1.4.85
Under Secretary	1	1
Middle Executive Band	1	1
Assistant Secretary	6	6
Senior Principal	11	11
Principal	49	49
Senior Executive Officer	139	139
Higher Executive Officer	115	115
Higher Executive officer (D)	13	13
Executive Officer	79	79
Clerical Officer	46	45
Clerical Assistant	19	16
Personal Secretary	12½	12½
Senior Messenger	2	2
Messenger	11	11
Paperkeeper	3	3
Superintendent of Typists	2	2
Specialist Typist	1	1
Senior Data Processor	1	1
Data processor	1	1
Typist	14½	13½
Office Keeper Grade 2	1	1
Photoprinter Grade 1	1	1
Security Officer Grade 1	2	2
TOTAL	<u>531</u>	<u>526</u>

CENTRAL MANAGEMENT OF THE CIVIL SERVICE:
 CIVIL SERVICE CATERING SERVICES (HM TREASURY): CLASS XIII, VOTE 14

BREAKDOWN OF STAFF BY GRADE

	1 4 84	1 4 85
Chief Executive(Middle Executive Band)	1	1
Senior Principal	1	-
Principal	4	4
Senior Executive Officer	4	2
Higher Executive Officer	3	3
Executive Officer	8	7
Clerical Officer	32½	30½
Clerical Assistant	6	7
Personal Secretary	3½	3
Regional Catering Officer	15	12
Professional & Technology Officer Grade I	1	1
Professional & Technology Officer Grade II	1	1
Professional & Technology Officer Grade III	2	3
Catering Manager Grade I	18	17
Catering Manager Grade II	31	26
Catering Manager Grade III	69	58
Catering Manager Grade IV	43	35
Chef Grade I	5	5
Chef Grade II	11	10
Industrial Staff	1116	907½
TOTAL	<u>1575</u>	<u>1133</u>

(vi) With regard to Subhead B2 (and table 3), why did the provision for salaries increase so sharply in 1984-85 and the provision for general expenses so sharply in 1983-84?

The 1984-85 Estimate for the National Economic Development Office's (NEDO) pay costs is £792,000 higher than that for 1983-84. £643,000 of this is a direct result of the change to Grant in Aid financing from 1 April 1984; this requires NEDO to pay Superannuation contributions to the Paymaster General's Office. This contribution is 24 per cent of the salary bill (this did not increase total public expenditure). The remaining increase is mainly due to the 1983-84 pay rise exceeding the cash provision of 3½ per cent and the cash provision for a 3 per cent pay increase in 1984-85.

The 1983-84 Estimate for NEDO's general expenses was £1,356,000 higher than the 1982-83 outturn. £1,126,000 of this was due to the introduction of repayment for services provided by the Property Services Agency from 1 April 1983 (this did not increase total public expenditure). Of the remainder, £100,000 was provided to increase the communications work of the tripartite committees of the National Economic Development Council and the balance was largely due to price increases.

(vii) Subhead C3 Over £5 million is provided and £1 million recovered in Appropriations in Aid from non-Exchequer bodies. According to what principle are changes made or not made? Why do 70 departments use the Chessington computer and others make their own arrangements. Have any studies been done of the savings flowing from computerisation?

CHARGING PRINCIPLES

Currently the following principle is in force.

- a. Exchequer departments are not charged.
- b. Charges are however levied for CCC services where the status of the customer department dictates, eg trading funds such as HMSO, Ordnance Survey or Royal Mint and Fringe bodies such as Agricultural Research Council, National Maritime Institute and Crown Estates.

CCC has always provided its services on an allied service basis in view of the essential nature of the services in support of the personnel, Establishment functions of departments and in view of the cost effectiveness of centralisation against dispersed activity.

WHY DO ONLY 70 DEPARTMENTS USE CHESSINGTON

In the early seventies there were some 20 computerised payroll systems in existence. Each required its own maintenance resources and every statutory or central policy change relating to pay had to be incorporated into the 20 systems. With the growing need for computer personnel data CCC absorbed some 25 or 30 more departments and other computerised systems reduced to 10 by 1975. Ministry of Agriculture, Fisheries and Food joined the Chessington payroll in 1983 and Employment and Home Office became remote Chessington payroll system users in April 1984. Environment will adopt the MOD system some time in 1985. All CS non-industrial pay will therefore in the near future be produced on the CCC system or one of the remaining 5 other computerised systems and consideration is being given as to how the residual systems can be reduced still further.

All Civil Service departments will in the near future use the superannuation programs provided by CCC or have their awards calculated at CCC. Other services are provided from Chessington as required by payroll customers in terms of further personnel record and management accounting support.

SAVINGS FROM COMPUTERISATION

Standard Payroll policy was adopted in the mid seventies to reduce wasteful

use of resource in maintaining a large number of different pay systems. Each new department joining CCC in recent years has undertaken a cost analysis prior to their decision to adopt the service. MAFF for example were able to make a net saving of 24 posts to the service as a whole on transferring their payroll operation to CCC.

More recently, a study linked to the provision by CCC of a service-wide superannuation awarding system from April 1984, has already identified agreed savings of 250 posts amongst departments which in due course is expected to rise to 400.

Studies carried out in the middle to long term past as departments decided to transfer payroll and other functions to CCC were carried out by the departments themselves and the net savings made are not recorded by CCC. However, since the main departments were taken on by Chessington in 1973/5 the numbers of clerical support staff at CCC have reduced from 386 to 185 whilst the payroll has increased from 110,000 to 116,000 in size.

(viii) Why is the provision under Subhead C5 borne on the Treasury Vote?

The statute governing the modern constitution of the Lyon Office is the Lyon King of Arms Act 1867. Sections 3 and 5 of this Act refer to the responsibility of the Treasury in determining the salaries of the Lyon and the Lyon Clerk but makes no other provision for departmental responsibility. However, Vote responsibility fell to the Treasury as a result of the 1867 Act and has remained there ever since.

(ix) Does the provision under Subhead C6 represent the whole cost of the Honours system?

The full cost of the Honours system would include staff time at the Palace, No. 10, the Cabinet Office and in Departments. We have no details of such costs. The main items provided for under this Subhead are as follows.

- (i) Salaries and incidental expenses of twelve staff of the Central Chancery of the Orders of Knighthood who are part of the Royal Household and whose salaries are recoverable from the Treasury Vote (1984-85 £129,500);
- (ii) expenses of the Central Chancery of the Orders of Knighthood including purchases and maintenance of Insignia and Regalia (1984-85 £378,000) and Stationery (1984-85 £110,000), computers (1984-85 £15,000);
- (iii) State opening of Parliament - Printing and Stationery (1984-85 £1,700)
- (iv) contribution to the Gentlemen at Arms Uniform Fund (1984-85 £2,000);
- (v) Thistle Installation Service (1984-85 £3,100);
- (vi) expenses in connection with the Queen's Awards for Export and Technological Achievement includes Grants of Appointment, Scroll and Emblem Boxes, manuals of guidance, manufacture of emblems, encapsulation etc (1984-85 £47,200).

(x) With regard to subhead C7 why has the income from the Chequers Trust fallen so far short of the costs of running Chequers?

The income from the Chequers Trust derives from the investment of the original capital of £100,000, bequeathed to the nation in 1917 with the Chequers Estate, supplemented by subsequent minor gifts and the income from the lease of a farm on the Estate. The management of the investment portfolio is undertaken by the Public Trustee and the farm lease is reviewed every three years. This lease was last reviewed in September 1981 and a further review will be carried out this year.

In 1984-85 the Trusts income is estimated at some £67,000 (including £15,000 from rents). Given that the Chequers Estate is not only the official residence of the Prime Minister but also used for meetings with Heads of State and overseas Ministers, the limited income of the Trust is not sufficient to meet the Estate's running costs. It was for this reason that the Chequer's Estate Act 1958 was passed; this enables the Treasury to pay a grant in aid of the expenses of the Estate.

In recent years major items of essential repairs and maintenance have needed to be carried out including the rewiring of the main building. In 1984-85 work will need to start on the renewal of the heating and hot water system and repairs to the stonework of the main building at a total estimated cost of £230,000. Expenditure of £50,000 has been included for this work in the 1984-85 estimate.

(xi) With regard to the Appropriations in Aid in general, what are the principles which govern whether a service should be charged out or not?

Part of the receipts brought to account as Appropriations in Aid represent repayment services to 'outside customers', collectively known as 'non-Exchequer bodies'. Non-Exchequer bodies are charged full costs for services provided.

The rules governing transactions between Exchequer departments reflect the principle that financial transactions between departments which are financed from Supply Grants should be avoided unless they serve important purposes of presentation or financial control. Repayment is increasingly seen, however, as a means of controlling the use of resources managed by one department on behalf of another. In this respect repayment is desirable if it promotes improved control, facilitating economy in the use of these resources, and if overall the administrative cost of adopting repayment is proved cost-effective in relation to the savings it brings.

**ECONOMIC AND FINANCIAL ADMINISTRATION
(HM TREASURY)**

I **£43,465,000**

Amount required in the year ending 31 March 1985 for expenditure by the Treasury on the management of the economy, and for certain other services including grants in aid to certain parliamentary bodies and others.

The Treasury will account for this vote.

	£
Net total	43,465,000
Allocated in Vote on Account (HC 98)	19,323,000
Balance to complete	24,142,000

II **SUMMARY AND SUBHEAD DETAIL**

1982-83	1983-84	SUMMARY	1984-85		
Outturn £'000	Total provision £'000		Gross provision £'000	Appropriations in aid £'000	Net provision £'000
		PROGRAMME 13.1 PARLIAMENT AND PRIVY COUNCIL			
3,855	3,999	Section A: Grants in aid to the civil list and to parliamentary bodies	1,131	—	1,131
		PROGRAMME 13.2 ECONOMIC AND FINANCIAL ADMINISTRATION			
23,842	32,988	Section B: Management of the economy	36,296	409	35,887
		PROGRAMME 13.6 OTHER SERVICES			
9,476	8,009	Section C: Other services	8,524	2,077	6,447
37,173	44,996		45,951	2,486	43,465
		Gross total			
1,755	2,055	<i>Deduct:</i> Total appropriations in aid	2,486		
35,418	42,941		43,465		
		Net total			
	Forecast outturn £'000 42,100				

1982-83	1983-84	SUBHEAD DETAIL	1984-85
Outturn £'000	Total provision £'000		Provision £'000
		Section A: GRANTS IN AID TO THE CIVIL LIST AND TO PARLIAMENTARY BODIES	
2,926	3,133	A1 Royal Trustees: grant in aid	100
		Payments under section 1 (i) of the Civil List Act 1975 in supplementation of payments direct from the Consolidated Fund for the Civil List, annuities and other payments to members of the Royal Family and Civil List pensions under the Civil List Acts. The total Civil List payment is subject to control on a calendar year basis. Expenditure will be audited by the Auditor of the Civil List and any unexpended balance of the sums issued will not be liable to surrender to the Consolidated Fund	
929	866	A2 Parliamentary bodies: grants in aid	1,031
		(1)-(3) are organisations which foster understanding between Members of Parliament and elected representatives in other countries. Payments are for the administrative costs of the UK branches. (4) meets the costs of writing a biographical history of the British Parliament from medieval to Victorian times	
	331	(1) Commonwealth Parliamentary Association‡	359
	22	(2) British-American Parliamentary Group‡	23
	283	(3) Inter-Parliamentary Union‡	309
	230	(4) History of Parliament Trust*	340
	3,999		Total 1,131

1982-83	1983-84	SUBHEAD DETAIL— <i>continued</i>		1984-85
Outturn £'000	Total provision £'000			Provision £'000
Section B: MANAGEMENT OF THE ECONOMY				
19,492	27,214	B1 Treasury administration		29,461
		Salaries, etc of 27 Ministers and office holders (see table 2) and 1,317 staff at 1 April 1984 decreasing to 1,313 by 31 March 1985 (1,328½ decreasing by 9½ in 1983-84)		
	551	(1) Salaries, etc of 27 Ministers and office holders (see table 2)		538
	8,200	(2) Central sector		9,447
		(a) Salaries, etc of 480 staff at 1 April 1984 decreasing to 487½ at 31 March 1985 (500½ decreasing by 1½ in 1983-84)	4,630	
		(b) General expenses	4,256	
		(c) Capital expenditure	561	
	2,984	(3) Pay and Allowances sector		3,158
		(a) Salaries, etc of 163½ staff at 1 April 1984 decreasing to 162 at 31 March 1985 (163 decreasing by 1 in 1983-84)	1,903	
		(b) General expenses	1,211	
		(c) Capital expenditure	44	
	1,590	(4) Chief Economic Adviser's sector		1,822
		(a) Salaries, etc of 55 staff throughout 1984-85 (54 throughout 1983-84)	929	
		(b) General expenses	500	
		(c) Economic research commissioned from non-governmental bodies	385	
		(d) Capital expenditure	8	
	2,032	(5) Overseas Finance sector		2,065
		(a) Salaries, etc of 82 staff throughout 1984-85 (84 decreasing by 2 in 1983-84)	1,317	
		(b) General expenses	721	
		(c) Capital expenditure	27	
	3,957	(6) Domestic Economy sector		2,334
		(a) Salaries, etc of 109 staff at 1 April 1984 decreasing to 108 at 31 March 1985 (189 decreasing by 1 in 1983-84)	1,479	
		(b) General expenses	819	
		(c) Capital expenditure	36	
	7,900	(7) Public Services sector		10,097
		(a) Salaries, etc of 427½ staff at 1 April 1984 throughout 1984-85 (338 decreasing by 4 in 1983-84)	6,124	
		(b) General expenses	3,836	
		(c) Capital expenditure	137	
4,165	5,583	B2 National Economic Development Council; grant-in-aid*		6,576
		Grant to meet the running costs of the National Economic Development Office which provides administrative support to the Council and its committees and provides independent advice on ways of improving economic and industrial performance. Table 3 shows the expected use of the grant-in-aid. Provision for this subhead is sought under the sole authority of part I of the Estimate and of the confirming Appropriation Act.		
2	3	B3 Banking: costs of appeals		4
		Fees and expenses of the members of independent tribunals appointed to hear appeals by institutions against decisions of the Bank of England to refuse or revoke licences to take deposits		
127	178	B4 Review Board for Government Contracts		240
		Fees and expenses of the chairman, board members and secretaries of the Board which periodically reviews the operations of the profit formula used in pricing non-competitive government contracts and adjudicates on disputes concerning the prices negotiated		
6	10	B5 Public Sector Pay Review Bodies		15
		General expenses of members of five independent pay review bodies which advise on public sector pay covering the higher judiciary, top civil servants, the Armed Forces and the remuneration of doctors, dentists, pharmacists, nurses and other NHS professions		
	3	(1) Top salaries review body		2
	4	(2) Armed forces pay review body		5
	2	(3) Doctors and dentists pay review body		2
	1	(4) Pharmacists review panel		2
	—	(5) Review body for nurses and other NHS professions		4
50	—	<i>Committee of Enquiry into Non-industrial Civil Service Pay</i>		—
	32,988		Gross total	36,296
439	275	BZ Appropriations in aid		409
		Receipts are mainly in respect of charges for staff inspection courses, and officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Research and Development who is a Treasury Under Secretary. It also includes income from publications and air fares recovered from the European Community		
	32,713		Net total	35,887

1982-83		1983-84		SUBHEAD DETAIL— <i>continued</i>		1984-85	
Outturn		Total provision				Provision	
£'000		£'000				£'000	
Section C: OTHER SERVICES							
896	970			C1 Treasury security guard			927
				Physical security protection for Treasury buildings and, on a repayment basis, for the Cabinet Office and Chequers			
	966			(1) Salaries, etc of 93 staff at 1 April 1984 decreasing to 92 at 31 March 1985 (105 decreasing by 4 in 1983-84)			917
	4			(2) General expenses			10
527	717			C2 Rating of Government Property Department			754
				Administrative costs of surveying and valuing Crown occupied property in the United Kingdom paying contributions in lieu of rates in certain cases and paying rates of buildings occupied by the diplomatic missions of other countries (payments are in class XIV. 5). Staff at 1 April 1985 comprises 10 valuers and 33 administrative staff			
	471			(1) Salaries, etc of 43 staff throughout 1984-85 (43 decreasing by 1 in 1983-84)			490
	246			(2) General expenses			264
4,068	4,873			C3 Chessington computer centre			5,363
				Payroll superannuation and personnel records service for the Treasury and for some 70 other departments, and a computerised accounting system for use by central departments			
	3,381			(1) Salaries, etc of 431 staff at 1 April 1984 decreasing to 420 at 31 March 1985 (455½ decreasing by 62½ in 1983-84)			3,550
	1,492			(2) General expenses			1,813
3,173	580			C4 Computer expenditure (Chessington computer centre)			527
				Capital expenditure on the computer at Chessington and associated software and maintenance costs			
	191			(1) Capital			200
	389			(2) Current			327
55	74			C5 Office of the Lord Lyon			74
				The Lord Lyon King of Arms is a permanent Officer of State of Scotland and deals with armorial and ceremonial matters in Scotland. His duties are both ministerial and judicial. The Lyon Office is also the Chancery of the Order of the Thistle and the Lord Lyon is Secretary of the Order			
	46			(1) Salaries, etc of 4 staff throughout 1984-85 (4 throughout 1983-84)			45
	28			(2) General expenses			29
608	651			C6 Honours and dignities			696
				Administration of the majority of honours and dignities is the responsibility of the Central Chancery of the Orders of Knighthood. This subhead reimburses the Chancery for the cost of salaries, insignia, etc. It also meets the cost of the Queen's Awards to Industry emblems			
145	144			C7 Chequers Trust: grant in aid‡			183
				Supplementary payment to meet the deficiency between income from the Chequers Trust and the total maintenance costs of Chequers. The grant currently accounts for 73 per cent of total costs			
4	—			<i>Payments in respect of the transfer of shares in the Cable & Wireless Public Limited Company</i>			—
	8,009					Gross total	8,524
1,316	1,780			Deduct:			2,077
	413			CZ Appropriations in aid			428
				(1) Recovery of door-keeping expenses in respect of the Treasury Security guard's manning of Cabinet Office and Chequers (subhead C1)			
	495			(2) Recovery of the Rating of Government Property Department's administrative costs from non-Exchequer bodies and government departments (subhead C2)			516
	811			(3) Charges to non-Exchequer bodies for services provided by Chessington Computer Centre (subhead C3)			1,041
	61			(4) Other miscellaneous receipts			92
	6,229					Net total	6,447
III EXTRA RECEIPTS PAYABLE TO THE CONSOLIDATED FUND							
1982-83		1983-84				1984-85	
£'000		£'000				£'000	
166		—		In addition to appropriations in aid there are the following estimated receipts:		—	

IV ANALYSIS OF THE VOTE BY PROGRAMME AND TYPE OF EXPENDITURE: 1984-85

Programme	Nature of expenditure				
	Public expenditure			Other	Total
	Current	Capital	Total		
£'000	£'000	£'000	£'000	£'000	
13.1 Parliament and Privy Council	1,131	—	1,131	—	1,131
13.2 Economic Financial Administration	34,999	888	35,887	—	35,887
13.6 Other services	6,197	250	6,447	—	6,447
Total	42,327	1,138	43,465	—	43,465

Table 1: Services in support of other programmes

Programme	Expenditure (£ million)
2 Overseas services	0.3
3 Agriculture, fisheries, food and forestry	0.6
4 Industry, energy, trade and employment	1.0
9 Law, order and protective services	0.6
10 Education and science, arts and libraries	0.4
13 Other public services	1.8
14 Common services	0.1
16 Wales	0.1
	4.9

Table 2: Ministers and office holders carried on subhead B1(1)

Prime Minister
 Chancellor of the Exchequer
 Chief Secretary
 Financial Secretary to the Treasury
 Economic Secretary to the Treasury
 Minister of State (Treasury)
 Parliamentary Secretary to the Treasury
 5 Lords Commissioners
 5 Assistant Government Whips
 Treasurer of HM Household
 Comptroller of HM Household
 Vice-Chamberlain of HM Household
 Captain of the Honourable Corps of Gentlemen-at-Arms
 Captain of the Queen's Bodyguard of the Yeomen of the Guard
 5 Lords in Waiting

Table 3: Expected use of the grant in aid to the National Economic Development Council (subhead B2)

1982-83	1983-84		1984-85
£'000	£'000		£'000
2,633	2,708	(1) Salaries and superannuation	3,500
114	113	(2) Payments to agencies	90
241	229	(3) Research	275
1,177	2,533	(4) General expenses	2,726
4,165	5,583		Gross total 6,591
—	—	Deduct: Receipts	15
4,165	5,583		Net total 6,576

*WV
Impressor*

FROM: D R NORGROVE
DATE: 14 JUNE 1984

MR PERETZ - whole evidence
SIR PETER MIDDLETON - Treasury evidence
MR BAILEY - Treasury evidence
MR BATTISHILL - Treasury evidence
MR KEMP (153-156)
MR UNWIN (157-162)
MR GORDON (163-168)
MR MONGER - Customs evidence

cc Mr Gilmore
Mr Fox
Mr Needle

TREASURY COMMITTEE HEARINGS ON THE ESTIMATES

Copies of yesterday's Treasury Committee hearings on the Estimates are attached, as marked above.

D R Norgrove

D R NORGROVE

*Gilmore starts on p 46
(at a quick glance it gets
particularly bad from the
bottom of p 56 onwards)*

Evidence on the Customs and Treasury Estimates

PROOF:

IN CONFIDENCE UNTIL PUBLISHED

Ev. 1

HOUSE OF COMMONS
MINUTES OF EVIDENCE
TAKEN BEFORE THE

TREASURY AND CIVIL SERVICE COMMITTEE

WEDNESDAY 13 JUNE 1984

MRS V P M STRACHAN, MR D J HOWARD, MR B T GILMORE, MR B M FOX
and MR E J NEEDLE

Evidence heard in Public

Questions 1 - 175

cc Mr Peretz } Tsy & Customs evidence
 L. P. Middleton } whole Tsy
 Mr Bailey } evidence
 Mr Battisill } m Tsy Estimates
 Mr Kemp (153-156)
 Mr Ummari (157-162)
 Mr Gordon (163-168)
 Mr Noyce } Customs evidence.

Members Gilmore, Fox
and Needle have their
own copies of their
evidence.

D. J. Howard

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MEMBERS' CORRECTIONS

Any Member of the Committee who wishes to correct the Questions addressed by him to a Witness is asked to send the correction to the Committee Clerk as soon as possible.

Members receiving these Minutes of Evidence are asked to ensure that the Minutes are confined to the object for which they are printed the special use of the Members of the Committee - and are not given wider circulation.

WEDNESDAY 13 JUNE 1984

Members present:

Mr Terence L Higgins, in the Chair
Mr Anthony Beaumont-Dark
Mr John Browne
Mr Nicholas Budgen
Mr Mark Fisher
Mr Ralph Howell
Mr Austin Mitchell
Mr John Townsend
Mr Richard Wainwright

MRS V P M STRACHAN, Under Secretary, Director of Organisation, and
MR D J HOWARD, Assistant Secretary, Finance and Manpower Division,
HM Customs and Excise, called in and examined.

Chairman

1. Mrs Strachan, we are most grateful to you and your colleague for coming to see us this morning. I suppose that in some senses this is an historic occasion because, as far as I am aware, your Department has never been examined on the estimates, and indeed this is a situation which has existed as far as the Departments are concerned until the recent innovation was made with regard to the departmentally-related Select Committees. As you know, Committees have taken evidence on a number of supplementary estimates, but this is the first occasion ever that evidence has been taken on a main estimate, so we are glad to see you in these rather uncharted waters. We shall want to look at the figures in particular, but as you will appreciate we also have to get a sense of your priorities as far as public expenditure is concerned, and that necessarily means we have to go behind the figures to ascertain the policies which form the basis on which expenditure is being incurred. It is the case that in addition to the new system of departmentally-related Select Committees we also have a new procedure for examining estimates,

but we are only allowed to reduce the estimates, not increase them. Previous inquiries on supplementary estimates have tended to be oriented towards the idea that we might have a debate on them. On this occasion it may be that in the course of our inquiry we will come across a particular matter which needs to be debated on the floor of the House, or considered for debate on the floor of the House, but at the same time the evidence we receive we may only put forward to the House in a broad sense so we have some idea of the way in which your expenditure is being managed. May I ask you to introduce your colleague and make any initial remarks you care to make?

(Mrs Strachan) Thank you very much. I think all I would like to do is introduce my colleague Mr David Howard who heads our Finance and Manpower Division. These are uncharted waters for us, too, so we will do our very best to provide any information you need, but if you catch us out we may need to put in a note afterwards.

Mr Mitchell

2. Mrs Strachan, which of the taxes you deal with is the most expensive to collect?

(Mrs Strachan) I think that of the major revenue-raisers it must be VAT which costs 1.1p in the pound to collect based on 1982/83. We do not have the final figure for 1983/84, but I think it is fair to compare it with what VAT used to cost, which was 1.9p in the pound.

3. It has been coming down?

(Mrs Strachan) Yes, and a major contributory factor has been the raising of the VAT rate to 15 per cent between 1978/79 (where the 1.9 comes from) and now.

4. Have you any idea how our costs of collection of VAT compare with the costs in other European countries?

(Mrs Strachan) Not offhand; I think we would need to put in further material on that, if you want it.

5. Which tax shows the greatest loss of potential revenue?

(Mrs Strachan) Again, I think of the major revenue-raisers it must be VAT. There is a bit of a problem over the betting and gaming duties, but in terms of scale VAT accounts for about half of the Customs and Excise revenue. It may be helpful to go on to say that our main difficulties are not quite the same as the Inland Revenue's; we do not have the same problem of moonlighters and ghosts because the average moonlighter is below our registration threshold. Our main problem is misdeclarations by established businesses. We discovered about £270m worth of under-declarations during control visits in 1982/83, but even so we reckon we are missing some, and the latest estimate of how much it might be is in the range of £300m-£500m a year.

6. These are only guesstimates?

(Mrs Strachan) They are slightly better than that, though I would not want to claim too much accuracy for them. We have calculated it in two or three different ways and have come up with that sort of number.

7. Is there a standard calculation for the various taxes accruing from the appointment of, say, one extra inspector?

(Mrs Strachan) We have not got the marginal yield from one extra inspector, but we have got a very good idea of the direct returns from particular kinds of areas of VAT, and I could give you an indication of that. Overall control visits for

VAT yielded a direct cost/yield ratio of 1:5.4 in 1983/84, but that average figure conceals some fairly wide variations. On standard control visits the yield is 1:4; for complex traders the yield is 1:10; for computer traders it is about 1:6.2, and for credibility visits it is about 1:9.

8. "Credibility"?

(Mrs Strachan) That is where visits are undertaken not particularly to look at the range of the trader's accounts, which would be our standard visit, but to follow up a particular query arising from looking at the trader's returns.

9. If you do not have any kind of standard calculation to work out what the return per extra member of staff is in each area how do you know where to appoint them most usefully, or where to cut them most usefully?

(Mrs Strachan) This in fact gives us a fairly good lead as to where to appoint additional people, if we have additional people, or where we can remove people with the least damage. For example, the Government decided to boost the level of VAT control in the course of this financial year, and as a result we are putting in another 150 staff, plus another 25 to underpin improved accountancy training. Those 150 are all being channelled to the complex trader control area where the cost/yield ratio is 1:10.

10. That is only VAT; I am talking of putting people on VAT as opposed to gaming duty, for example?

(Mrs Strachan) When you look at the other duties it becomes very much more difficult to make straight comparisons. Taking the excise duties, for example, if you look at the direct yield of an excise officer controlling an oil refinery the answer

will probably come out pretty small because his purpose in being there is entirely a preventive one; he is preventing the evasion of a very large amount of duty, so it is not possible to make that kind of comparison.

11. How do you strike a balance between the numbers you mobilise in different fields? Presumably, on that basis you have a large number tied down in certain areas?

(Mrs Strachan) Not a terribly large number. The way we have been seeing the picture over the last few years is that as far as the excise duties are concerned we are reasonably satisfied with the level of control we are putting in. We have found a number of possible streamlinings and efficiency-savings on the excise side, and indeed the excise duties have accounted for a very high proportion of the staff cuts we have made over the last five years.

12. Is it the case that you found them because you had to find them, you had to make a virtue of necessity?

(Mrs Strachan) Undoubtedly we had to find them in the sense it is the Government's policy to reduce Civil Service numbers, and our Department, in common with all others, was expected to make a contribution towards the Government's overall aim. I think it is fair to say that with or without that sort of targeting we would have been looking critically, as we always do, at the levels of control and the way we do things, and I think some of the cuts would have been made with or without centrally imposed targets.

13. Whilst you are cutting certain demands are increasing; the flow of passengers in and out of the channel ports must be increasing, so does the number of staff increase proportionally? What system do you operate there, on the passenger side?

(Mrs Strachan) It is true that the number of passengers has been increasing. Over the period 31 March 1979 to

31 March 1983 the flow of passengers went up by some 18 per cent or so, and indeed looking at our number of uniformed preventative staff at the ports, it shows a decrease by over 17 per cent over the same period. Obviously, this is an area which was affected in common with all areas of the Department's work by staffing constraints. As to how much of that reduction we would have made without centrally imposed targets I find impossible to answer. At any one time one is making increases in one area and decreases in another to try to follow the patterns of traffic which flow differently in different ways at different times.

14. I wonder if you have any sort of calculation or indication of the optimum stop or search rate, or can you establish an optimum ratio of officers to passengers?

(Mrs Strachan) I do not think you could have an optimum stop rate or search rate: it would change very much according to the nature of the traffic. Returning holidaymakers, for example, are an entirely different proposition from a full flight of businessmen returning from America, and they in turn are a totally different proposition from people coming from some areas where drugs come from.

15. But surely even within those categories you have to grin and bear it. Has the ratio of officers to passengers declined?

(Mrs Strachan) If I said "Yes" to that it would be misleading because we try to protect the key areas of our staffing insofar as we have been able to, so at Heathrow and Dover where the flow of passengers has been increasing particularly the reductions in staff numbers are very substantially less than taking the country as a whole.

Chairman

16. But there is a reduction?

(Mrs Strachan) I think the number of preventative staff at Heathrow has been broadly constant, and at Dover East where the main channel traffic arises the number has actually gone up by about 10 per cent, but looking at every place of collection you will find slight decreases or, in some cases, big increases.

Mr Mitchell

17. It seems that the prospects of getting through customs with a bootload of cocaine having returned from a camping trip have improved?

(Mrs Strachan) I do not think I would care to admit it even if it were the case. If I may say so, some of the claims which have been made by our trade union side I find worrying because whilst I and the Board of Customs and Excise are not under the complacent impression that everything is all for the best in the best of all worlds we do think there has been a certain amount of over-statement of the case.

18. Is the reason that they are only trying to protect their role and their jobs whilst you are caught between the millstone of the Government trying to push through staff reductions?

(Mrs Strachan) They are as concerned as we are to protect jobs, but I think that if they over-state the case it can have the perverse effect of making the threat worse.

Mr Wainwright

19. In what way is the work of Customs and Excise assisted by the Inland Revenue and also by the police?

(Mrs Strachan) So far as the Inland Revenue is concerned, although there are various statutory provisions for exchange of information between the two departments, the extent of co-operation has, as Parliament knows, been very strictly supervised and limited. We exchange information on major fraud between headquarters. For some time now we have had an experiment running in the Leeds area on the reasonably free exchange of information on fraud but that experiment was not extended pending the outcome of the Keith Committee's deliberations on the enforcement powers of the two departments and the Government's consideration of those recommendations. So at present, although there is some degree of co-operation with the Inland Revenue it is very clearly limited in scope. So far as co-operation with the police is concerned, that is generally very good. We have a clear, common interest with the police in the counter-efforts on drugs and, indeed, our responsibilities slightly overlap with those of the police because we are statutorily concerned with smuggled drugs, whether they are at the frontier or whether they have gone beyond the frontier. The police are concerned with the misuse of drugs and the possession of controlled drugs, so, as I say, there is an overlapping interest there. That said, our co-operation with the police and, indeed, with other international drugs agencies is very good on the whole.

20. Does each of those three departments charge the others for assistance, significant assistance, given?

(Mrs Strachan) No.

Mr Budgen

21. I have a purely anecdotal impression that many traders use the non-payment of VAT as a means of financing their operation. Do you see any sort of comparison between your collection and the collection made by the Revenue of PAYE returns?

(Mrs Strachan) I think that your anecdotal impression is quite correct. It is certainly a view which would be shared by those in Customs and Excise responsible for VAT administration. Indeed, when our Chairman appeared before the Public Accounts Committee on two occasions he said as much. We are obviously very concerned about this. The Keith Committee has made a number of recommendations which bear on the question. At the moment we do not charge interest on late payment of VAT and they have made a number of recommendations, including automatic penalties, with which we are broadly sympathetic as tax collectors. We do not do straight comparisons with the Inland Revenue on PAYE.

22. There is a reasonably rough comparison, though, is there not?

(Mrs Strachan) Yes. We do exchange broad information. Indeed, from looking at what they say in the PAC, we come to some kind of view. I do not have comparative figures with me.

Chairman

23. When you say "broad information", on individual cases?

(Mrs Strachan) No, not on individual cases. This is broad information about the extent of delays and amounts outstanding at any one time, not on individual cases. For the reasons I was explaining to Mr Wainwright, that exchange of information on individual cases is very strictly controlled.

Mr Budgen

24. If, for the sake of argument, there were greater sums outstanding on a properly comparable basis of VAT as compared with PAYE, might one of your arguments be that in any event VAT is something that is payable some time in arrear whereas the employer ought theoretically to send on the PAYE payments almost immediately?

(Mrs Strachan) I do not think we would use that argument. So far as both taxes are concerned, there is a due date when that money ought to be due and I think we would regard non-payment of VAT by the due date in as serious a way as the Inland Revenue would regard non-payment of PAYE by their due date.

25. But theoretically if an employer does not make his payment of PAYE on time he is guilty of a criminal offence, is he not?

(Mrs Strachan) The same is true for VAT.

26. Yes, the same is true of VAT. Do you have any figures to show how many people have been prosecuted for late payment of VAT?

(Mrs Strachan) Yes.

(Mr Howard) If I could give the figures for 1982/83, which are published in our Annual Report, there was a total of 3,528 prosecutions for failing to furnish VAT returns and a further 252 cases of failure to pay VAT.

Mr Mitchell

27. Has that gone up or down?

(Mr Howard) I am afraid I have not got the comparative figures. I would have thought that was fairly typical.

Mr Budgen

28. But it is extremely rare for you to prosecute anybody for late payment, is it not?

(Mrs Strachan) In terms of the number of transactions between the department and the trading community, yes, that represents a very small proportion of cases and, indeed, the argument of the Keith Committee was that because we could only prosecute a very small proportion of late payers, perhaps criminal prosecution was not the most effective way of securing compliance. That is why they suggested we should de-criminalise failure to render returns and failure to pay and should deal with it instead by means of their suggested automatic penalty system.

Chairman: The course of your answers is such that you are generating questions faster than we are asking them!

Mr Fisher

29. Was that figure of 3,528 in 1982/3 the number of prosecutions or the number of successful prosecutions and could you give us some idea of the sorts of sums involved in those prosecutions?

(Mr Howard) The number was the total number of prosecutions. All but twelve of those were successful. We have not published the figure in our Annual Report, I am afraid, but we will let you have a note.

Mr Fisher: Is there a minimum figure below which you do not prosecute or is there a figure above which you habitually or normally prosecute?

Chairman

30. I think it is up to you whether you answer that question.

(Mrs Strachan) I can answer it in general terms. I do not think I would want to disclose any figures, if we have them, but one of the reasons we prosecute for failure to render returns - it may seem a very odd thing to do, to prosecute for failing to put in a piece of paper - is that without a return we cannot know in the case of self-assessed tax how much is at stake. We have had the occasional embarrassing instance where we have prosecuted for failure to render a return and it has subsequently transpired that there was very little or no money to pay, but that was something that one could not know at the outset. I should emphasise - and this perhaps follows on what I was saying to Mr Budgen - that we only prosecute after repeated failures to render returns by the due date.

Mr Townend

31. On the question of VAT, up to the present time the Customs have had no guarantees for the payment of VAT from traders whereas they have had guarantees for the payment of Customs and Excise duty from banks or insurance companies. In the new proposals with respect to payment of VAT on imports following the Budget changes, the Customs and Excise are asking for guarantees on that VAT but not on VAT generally. This seems illogical. Is this a first step and you are eventually intending to get guarantees from traders for all VAT, or what is the reasoning?

(Mrs Strachan) It is certainly not a first step towards guarantees from all traders. It is a reflection of the arrangements which currently exist for a deferred payment of Customs duty. When we are dealing with imports we are in a somewhat different position from that on home transactions in that imports can come in by any means and by any person, including

those not registered for VAT. The view that we took and that Ministers took was that if we attempted to administer the new accounting arrangements for VAT at import without some form of guarantee, i.e. allowing people to import without payment and without any guarantee that they would pay, then there would be a fair amount of enforcement work, which currently we do not have to undertake, which would have potentially considerable saving effects. If you have to chase up the debt it takes time and it takes staff.

32. That would surely only apply to the people who were not registered for VAT? With traders who are registered for VAT it does seem a nonsense that part of their VAT is without guarantee and on the other part of their VAT they pay they have to have a banker's guarantee. Surely that is completely illogical?

(Mrs Strachan) I am not sure that it is very easy to arrive at a totally logical position in this area. It is very much a new arrangement for us. If we were trying to operate a different regime for VAT registered traders from non-VAT registered traders at import and decide whether we were going to require a guarantee or not, I think it would somewhat complicate the accounting arrangements. Our concern at the moment is to implement the new arrangements with the minimum possible delays at the ports. That is our greatest preoccupation in relation to these new arrangements, that if we are not careful we could end up with considerable delay.

33. Is there not a danger this will not only apply to imports but also to home produced goods coming out of bond, because otherwise we would be breaching the EEC Regulations, because we would be discriminating against imports. As regards gin and Scots whisky coming out of bond, are the traders not going to have a guarantee for that VAT?

(Mrs Strachan) At the moment they pay duty as it comes out of bond.

34. But they do not pay VAT?

(Mrs Strachan) No.

35. Is that not going to affect home produced goods as well?

(Mrs Strachan) You are taking me beyond the level of my own expertise. We will have to find out and let you know.

Mr Mitchell

36. What is the level of cost of these guarantees?

(Mrs Strachan) That is very much a matter for the guaranteeing authority, the bank or the insurance company, as to what the cost is. Typically 1 or 2 per cent, but it would be very much a matter of the bank's judgement of the creditworthiness of the customer.

Chairman: I am anxious we should not leave you with too many notes after the event, because you cannot cover everything in the greatest possible detail; but let us see how the discussion goes and then afterwards we can see what particular areas we would like details on.

Mr Townsend.

37. Yes I should like that to be followed up. Let us see what the situation is. With regard to the point Mr Mitchell made on the flow of passengers through Channel ports -- the Channel ports are dealing basically with the EEC, because it is the aim of the EEC and ourselves as a member to reduce obstacles from moving from one part to another. Would we not normally accept as the number of passengers increase there would not be a commensurate increase in customs officers?

(Mrs Strachan) That has certainly been in practice what has happened over the past few years, that there has been an increase in the flow of passengers and a decrease in the number of staff. I would accept it up to a point. Membership of the EEC obviously means one is trying to ensure the free flow of people and goods within the Community. It does not however preclude the need for us to exercise controls on our non-revenue functions where membership of the EEC is not directly relevant. We still have the statutory responsibility to enforce prohibitions and restrictions on drugs, pornography, arms, etc., etc., and indeed I think we would probably say that is the major preoccupation of our preventive staff.

38. So would you say the reductions in Civil Service manpower basically have been brought about by increases in productivity and efficiency rather than reducing the level of service?

(Mrs Strachan) I find this an extraordinarily difficult question to answer. We have reduced by about three and a half thousand over the period, which is about $12\frac{1}{2}$ per cent. Of that reduction we can attribute 1 per cent to loss of function, which was exchange control going. We can attribute about $\frac{1}{2}$ per cent to contracting out - a certain amount of contracting out of cleaning essentially. The rest, which is near enough 99 per cent, is sort of split about 50/50 between what the Treasury describes as efficiency savings and general streamlining. Now when I say it is split about 50/50 between those two things I say it with a great degree of tentativeness, because we find that distinction extraordinarily difficult to make. In some cases one can represent the outcome of a review as being greater efficiency; in some cases it may be a mixture of efficiency and streamlining. When you come to the streamlining, to which we have roughly allocated about half that 99 per cent, it is I think a matter of debate as to whether in streamlining a service one has slimmed it down and made it more productive or whether one has simply lowered the standard of control and of service one is offering. It is a highly controversial question.

39. On the streamlining part, are you aware that as a result in some cases of savings, reduction on the part of Customs, there has been a counterbalancing increase in cost to the private sector, and have you made any estimate of how those two balance out?

(Mrs Strachan) I think that one can think of some changes that we have made where we have taken the onus of control and put it on to the trader, so as to enable us to make a more selective checking, but in most cases we are talking really about essentially relying on the trader's own controls which he would probably want

to exercise as a matter of prudent management anyway. I think that is typically so, for example, for spirits reviews and reviews of wet warehousing, where we have said we will rely on the traders' records and do selective checking of that rather than try to duplicate what the trader is doing. So I do not think there is a straight trade-off between public sector costs and private sector costs here.

40. With respect, that is not in practice quite what happens. Would you not agree that in actual practice you are not prepared to accept the trader's records. You have made the traders change their systems and put in your systems. I am saying some of the costs have been moved from the public sector on to private industry. Do you not accept that that is happening?

(Mrs Strachan) I would not deny that it may have happened in the case of some of the changes we have made.

41. With respect, you did give the impression that it was no actual cost to the private sector; they were looking at their own records and checking the private sector records as opposed to the Customs' record-keeping. In practice that is not so. They have imposed a very different process of keeping of records than many of the traders have traditionally kept.

(Mrs Strachan) I hope I was not making the simple assertion that there were never any extra costs to the private sector. I was saying there was not a straight balancing act between the one and the other. It could also be argued to the extent we had transferred costs to the private sector that previously the private sector had been relying on our checking to ensure their security.

42. Could I refer you to the actual estimates? I am particularly interested in page 13 .. the legal charges, law costs - which have gone up between 1983 and 1984 and 1984-1985 by no less than 59 per cent from £2.298 million to £3.651 million. This is a tremendous increase. I believe you have had some increase of 15 staff, but that does not seem to cover it. Can you explain why it has been such a large increase, and does it indicate a change of policy and a massive extension of work?

(Mrs Strachan) It does not have anything to do with the extra staff as such because they are accounted for in subheading 1. It is literally charges and law costs; it is not a change in policy. It reflects an increasing work that we can foresee arising from the results, for example, of our investigative work and of trader non-compliance on VAT. It is our best estimate of the costs we are likely to incur in taking that work to a conclusion.

(Mr Howard) If I might add to that - it may help the Committee to know most of the increase actually occurred in 1983-84. We very considerably underestimated the requirements for the subhead on law costs in 1983-84. So we are now carrying through into 1984-85 the results of our experience in 1983-84 when the burgeoning volume of prosecutions on VAT frauds and drugs cases led to a very large increase in this kind of cost.

Mr Mitchell

43. Is that drugs cases or are you just putting the bailiffs in and dunning people more?

(Mrs Strachan) It is more.

44. So where is the highest increase?

(Mr Howard) I think proportionately the increase is probably higher in terms of prosecutions, but I do not have

the details with me.

Mr Budgen

45. On that point, you only have to have a couple of unexpectedly long trials for your costs to be very difficult to assess, have you not?

(Mr Howard) This is part of the difficulty. We did have some such cases which certainly contributed. Our forecast for the future is that the volume of this work, which is demand-led is not likely to reduce.

46. It is not only demand-led but very difficult to assess is it not?

(Mr Howard) Yes.

47. For the sake of argument you might say only 10 per cent of the cases plead not guilty and you might find that 15 per cent of the cases plead not guilty, and you might find that within that 5 per cent there were, shall we say, three cases which each took two months, and that would have an enormous effect upon your costs would it not?

(Mrs Strachan) Absolutely, right.

(Mr Howard) There have certainly been some cases where there have been trials and retrials and obviously this is unhelpful to controlling our costs.

Chairman

48. This is a particular avenue we have not expected to go down. It may be the case when looking at an entire range of estimates that one suddenly feels "Here is something rather interesting". Shall we pursue it for the moment? You have got on the particular estimate "legal expenses" and then over the page you have "Repayment of legal costs recovered".

There are two points and the first has already been raised. How much of the legal costs are in-house as against fees for outside lawyers? Secondly, is the repayment one simply the fact that you are awarded costs by the court? Is that what happens?

(Mrs Strachan) The answer to the first question is that none of it is in-house. It is the costs of employing Counsel where we have to employ Counsel, bailiffs' fees, and other courts costs. The answer to the second question, which is the one about repayment of legal costs recovered, that is A.11, is a little different from that. This is the point where we had been recovering the costs of sending in the bailiff and in the case of Scotland sheriff's officers who, pinned on our behalf had been keeping a proportion of what they had collected when we were under the mistaken impression or mistaken belief that we were statutorily covered to collect these costs. We discovered that this was very doubtfully the case. There were grave doubts about our vires to do this and accordingly the Finance Bill which is currently going through the House contains powers to put the recovery of bailiff's fees and payments to sheriff's officers on a legal footing. This I should emphasise as the Minister of State did in the course of the debate on the clauses in Committee, it is not a retrospective application; it will only apply from Royal Assent, that we are again able to recover these costs. Meanwhile clearly we have had to ask Parliament for an amount in order to repay any claims from the past where the trader says, "I paid costs wrongly because you did not have the statutory power and I would like my money back". And this amount is our best estimate of what it will cost to do that.

49. So that one and a quarter million pounds will not happen again - that is what one is saying is it not?

(Mrs Strachan) That is right. It is not recurring.

50. On the other point, the normal legal expenses. As far as the drugs cases are concerned, the legal costs of those are falling on Customs and Excise but not in any revenue sense presumably, simply because it is a straight criminal prosecution. Is that right?

(Mrs Strachan) Yes, there is a sort of matching provision which is "law costs recovered". Some of it may come back.

51. But it falls on you rather than some other Government body even though it is a straight criminal case?

(Mr Howard) Yes, the normal rule is that the prosecuting authority bears the costs except to the extent specific legal costs are awarded in its favour on a successful prosecution.

Mr budgen

52. There are some others who are able to get their costs by the Order of some judge on some central fund, is there not? But that is only a transfer between Departments.

It may be that your legal costs appear higher than those of other departments because you do not as a matter of practice get costs out of central funds, do you?

(Mr Howard) I think the tradition has always been that Customs & Excise is ^{an} independent prosecuting authority which bears its own costs.

53. If, for the sake of argument, you did get costs out of central funds it would still be the poor old taxpayer paying; all that happens then is that you have an inter-departmental wrangle as to the size of the costs?

(Mrs Strachan) I think that is true. I should emphasise that this is the sort of subject that gets discussed from time to time - the extent to which one should try to make sure the costs of the government department faithfully and accurately reflect what they ought to. No doubt it is a subject to which this Committee will be giving attention. Perhaps I can add something to my previous answer, Chairman. You said - this is referring to the repayment of costs pending - this is something that will not recur. It is a once-for-all cost. That, however, is not to say there will not necessarily be an item in next year's estimate for it. It depends on how fast the claims flow in. There is no time limit on claims so we will obviously review the need for a continuing sub-head for as long as the claims keep coming in - but it is to reflect a once-for-all situation.

Chairman: Maybe we will wish to return to this next year. We shall gradually develop a greater sense of what is going on so we can pursue particular points. That was all £3½ million.

Mr Townend

54. For clarification, I am sure Mrs Strachan did not intend to mislead the Committee but in answer to the Chairman was she talking about the figure of 3.679 million which is an increase of 1.353 million? Listening very carefully, I thought she was saying that all, or the vast majority, of that increase of 1.353 million was the result of these claims?

(Mrs Strachan) No, we are talking about two different things. I was talking about A.11 which is 1250 on the following page.

Chairman: On the following page there is the item where all repayments are being cost recovered. They are two quite separate issues which we have now managed to separate.

Mr Townend

55. The 1,353 million is a 59 percent increase. Could you tell us what percentage increase in prosecutions there was?

(Mrs Strachan) I could not offhand and I am not sure that it would help you very much if I could, because, as Mr Budgen was saying, what one needs to know is not just the number of prosecutions but the length and complexity of them.

56. Could this figure hide within it a substantial increase in the rate that the legal profession is charging rather than an increase in the actual number of cases and work? Are you briefing much more expensive counsel?

(Mrs Strachan) We are not briefing more expensive counsel than we used to. I cannot tell you offhand what has been happening to counsel's fees over the last couple of years.

Chairman: It is rather difficult to evaluate. I think we ought to move on.

Mr Townend

57. I have one point which I know is not connected with this heading, but I believe there are 15 extra posts added to the Solicitor's Department. Why is that? Why have they been added?

(Mr Howard) Most of those are either legal or support staff dealing with prosecutions for VAT fraud and drugs or with the backlog of VAT recovery work which is one of the Solicitor's Office's objectives in our management plan to be coped with in 1984-85. So we have given them an increase of 15 staff, which is at this stage for this year only in order to deal with these particular functions.

58. It seems strange that they are all non-professional staff. Would not that increase in work require an increase in ———

(Mr Howard) At the time we drew up the management plan they were all assigned to the non-professional numbers; that was on a provisional basis. Since then five of those posts have been converted into professional posts. To that extent the figures in the management plan are out of date.

Chairman: We would like to move on to some extent on the basis of the management plan, which we have not previously mentioned. While we might have some criticisms of the plan as such in various respects, nonetheless we found it ^a very helpful document as far as starting from scratch was concerned.

Mr Beaumont-Dark

59. Mrs Strachan, on what basis do you divide your resources between revenue collecting and your other duties like preventing the importation of undesirable material? Do you give one priority over the other because you get the revenue in more easily or what?

(Mrs Strachan) It may help if I start by giving you a quick account of the process of resource estimating in the department. The way it works is that our headquarters divisions are asked to forecast their future needs in the light of what they know about expected developments over the period for which they are forecasting. They also forecast the impact of what is likely to happen on the whole of the outfield; of our 25,000 odd staff about 20,000 work in the outfield. Meanwhile (and this is true of Customs and of Excise I should emphasise) our field managers, who are called collectors, forecast their locally known changes in workload, for example, because of changing traffic patterns. The Central Finance Division then puts together all the information which the headquarters divisions and the outfield have between them contributed in order to forecast the likely total requirement over the period. So far I have been talking about Customs and Excise, but VAT is a little bit different. It used to be a totally centrally laid down figure (we used to call it the "fixed cake") where the Government said "You can have X staff to run VAT and how you do it is up to you". In the last two years we have introduced local estimating for all VAT work except control visiting. Control visiting is a little bit different in that, as you are probably aware, our pattern of control visits is worked out by our operational research staff in order to gain the best possible coverage of the trading community and to concentrate our resources where the risk is perceived to be greatest, while maintaining an overall preventive and deterrent effect. So control visiting is worked out centrally with a fixed number and then the results of the operational research exercise are fed out in terms of numbers to each collector. That is by way of background. To come

to your specific question, there is not any ideal way of balancing our different functions, in particular of balancing the revenue-collecting function with what we have described as the protection of society functions. One is simply comparing unlike things and I would not claim that we have found the magic way of saying what the correct way of striking that balance is. Nevertheless, we obviously have to take a view about how to balance our priorities and what it boils down to is essentially a judgement in the case of each function about whether we are on top of it or how well or less well we believe we are performing it in the light of all the evidence that is available to us. We have taken over the last few years a number of strategic decisions to shift resources in one way or another and I could give a few examples. For instance, even at a time when our overall numbers were falling, we increased the size of our Investigation Division quite substantially.

Chairman

60. That is drugs?

(Mrs Strachan) Drugs and VAT fraud, but about two-thirds drugs. We put in a large number of extra staff to cope with the VAT enforcement peak following the 1981 period of industrial action. We have recently decided to build up the VAT control staff because we felt that the cuts had borne a little bit too hard in that area. Most recently we have decided to put an extra 60 staff on a selective basis into Customs preventive work both on freight and passengers. This is really to try to see how best to target our Customs operations. But we have also tried to give ourselves a framework within which to operate. Hence we have made a bold attempt at a statement of priorities in our management plan and we

have said top priority is the collection of VAT and very high yielding revenues. Second only to that is the investigation and prevention of drug smuggling, then Customs work generally, then fraud investigation. We have then said in each of these areas before the manager who is responsible for those areas calls on the rest of the department to help out they must try to ensure that they have maximised the amount of effort going into frontline operation work and minimised the amount going on their support type work. To back that up, as a general objective we have said we want to try to reduce proportionately the staff engaged on support functions. So that is the general overview within which we are working.

Mr Beaumont-Dark

Q61. What kind of control does one have in the plans that are put forward? If you like, take the drugs people who have a wretched job: on page 56 where it is dealt with you talk about 24 dogs and their handlers for drug detection and you also mention the use of 7 Revenue cutters. Do they work / ^{out the} real cost-effectiveness of these things? For instance, do you use helicopters? Would helicopters be cost-effective? Do you just have to accept the plans virtually as they put them forward or do you set them a sum of money and say "Do the best you can within that"?

(Mr Howard) We do have some figures for the results achieved by dogs and by cutters, but particularly in the case of cutters the main role is a preventive one, a presence on the seas which acts as a deterrent to smuggling. But to give some of the figures of cost and direct yield, as it were, there are actually 27 dogs, not 24 as stated in the management plan, and they cost about half a million pounds to run as an operation in 1983-84, and they detected drugs ———

Mr Mitchell

62. That is a lot of Pedigree Chum!

(Mr Howard) It includes the cost of handlers and all associated back-up costs. It is a gross cost, not an opportunity cost. The detections made by the dogs in 1983-84 were of drugs at street prices worth very broadly about £10 million.

As to the cutters, again taking the cost as being gross, allowing something for amortised capital cost, it is about £2m a year. The direct results are rather less obvious. The drug seizures in 1983/84 amounted to about £700,000 worth at street prices and there was a variety of seizures of miscellaneous goods of lesser value, but the main purpose is prevention.

Mr Beaumont-Dark

63. Is one really going to get cost-effectiveness out of seven revenue cutters covering all the waters around our shores? I do not think you would do much preventative work with 70, let alone seven. Would the unexpected arrival of a helicopter be more preventative, or is it the case that you have got used to these cutters, rather like the tradition of sailing ships?

(Mr Howard) It has been a traditional form of seaborne preventative measure, but we are now carrying out an experiment with aerial surveillance and will be reviewing the results later in the year.

64. But the idea of seven cutters being able to deter drug smuggling strikes me as quite bizarre?

(Mr Howard) They do not deter on their own; they are part of a wide range of customs controls, and they inter-mesh with the dogs and our other mobile teams.

65. One can understand the dogs because presumably they are used where drugs are suspected to examine luggage, sniff out explosives and so on?

(Mr Howard) They are used mainly in freight sheds and postal depots.

66. Seven cutters seem too little and 24 dogs seem too little but that is the view of the man in the street. I have

a question about smoking. I am one of the people who are victimised. Some Ministers want it to be done only in private by consenting adults, but is there not a dichotomy here in that the Government wishes to reduce or eliminate the habit of smoking on one ground and at the same time it has at its disposal a tremendous source of revenue, and a lot of staff are involved in it? Do you think the chaps in the Ministry of Health are going to win, or do you think the more cynical people at the Treasury will win?

(Mr Howard) There is not a lot I can add to the explanation given by the Minister of State to the Standing Committee debate last Monday. He said there were three inputs to the budget consideration which the Chancellor gave to the rates of tobacco products, and they were: revenue, health and employment. It was the Chancellor's responsibility to balance those, so he would expect to get an input from his colleagues in the Department of Health, but it has to be balanced against other considerations.

67. How many people are employed on that side?

(Mr Howard) On tobacco products duty, 212 in 1982/83.

Mr Browne

68. As to the allocation of the dogs, cutters and vehicle testers, is that done centrally by your operational staff? How do they target those?

(Mr Howard) The dogs are based in eight regional centres, in effect the ports in various parts of the country. The operational team is three or four and it is available to be called out by all the collectors within a given area for sniffing out drugs. The cutters are dealt with centrally but on the basis of local bidding. Coastal collectors make clear what role they see

for the cutters along their particular piece of coastline and we then allocate centrally a programme of patrols which can be varied if short-term revenue needs arise.

69. What about the vehicle testers?

(Mrs Strachan) We have not talked about the vehicle testers so far.

70. I understand that Mr van Rabb, head of the US Coastguard, comes here quite a lot. Two points arise here: one is the liaison with other countries vis a vis drug spotting in particular, and the other is your view as to resources. It seems to me this problem is growing dramatically. What is your view vis a vis the resources you have been allocated to tackle your role in drug prevention or drug smuggling?

(Mrs Strachan) You asked first about international co-operation. We have quite a long history of international co-operation with other drug enforcement agencies, and essentially the view we take is that this is an international problem and we must work together in order to do our best to combat it. Co-operation does exist and that is conducted by our investigation division which is well experienced in this field. On the whole it is extremely good. More generally, have we got enough staff to cope with the drugs threat? I think this is an extraordinarily difficult problem. Everyone recognises that the drugs problem is very much more complicated and multifaceted than the question of whether we do or do not successfully stop drugs coming in at the frontier. There is the problem of tackling drugs at the source rather than waiting for them to come here, and this is where international co-operation plays its part. We have the problem of the increasing sophistication of smuggling methods and routes. We have all read

about the marketing ploys to try to create a market for products. Some of it is anecdotal, but there is some indication of drug organisers using give-aways or loss-leaders to attract people to the product; and the methods of using drugs have become less repellant in that there is more emphasis on smoking and sniffing than on direct fixing. In combatting it one needs to look at other things like educational effort to ensure people are aware of the dangers they are running and treatment and rehabilitation which go outside our responsibility, and there is also the problem of judicial remedies about which the Home Secretary has made some recent statements. Obviously, we have a contribution to make in combatting the problem, but we do have the difficulty that in order to be able to say with our hand on our heart that we are satisfied we have got the importation of drugs totally under control the implications for our staff numbers would be enormous; we would have to throw a large number of staff at the problem, and indeed the consequences in terms of delay to the travelling public and congestion at airports and seaports would probably become unacceptable to the public. Our view is that there is a problem and it is not one we can simply tackle by saying that we need x hundred more staff instantly. Nevertheless, we are not trying to persuade ourselves or anybody else we have got the thing totally under control, and that is why we are putting in an extra 60 staff in the course of this year specifically for preventative purposes, and what we are hoping to do is build up our intelligence in seaports and airports. There is already quite good intelligence at Heathrow and Dover, but we must try to improve the standards elsewhere.

71. Is it racing away from you? You cannot say it is fully under control, but is it racing away from you? Have you got enough staff merely to enable you to stay where you are now?

(Mrs Strachan) I would not like to use a phrase like "racing away"; I think those who do are not helping the problem at all, because in large measure what one is talking about is the public's belief about the situation. One would not want to encourage any belief that the problem was racing away from us. I do not think the situation has improved, and that is why we have put in an extra 60 staff, but we want to see what results we get from that before deciding (a) anything further about the extent of the problem from the indications we already have and (b) where we would need to devote further additional effort if we were able to do so, so at the moment we have an open mind. We see it as a problem and we do not think we have solved it yet.

Mr Mitchell

72. You did say that the unions were being alarmist, so can you put your hand on your heart and say you have the number of staff you need to do the job adequately to protect society?

(Mrs Strachan) I specifically said in reply to the previous question that I would not want to do that. What I am saying is that in some ways we and the unions have a great deal in common in the way we see the problem. We see it as a major problem which has to be tackled, and a lot of the figures they have quoted in support of their claim we would accept, but not all; some are out of date and some are plainly wrong. We would not, I think, state the problem in quite the bald terms they have used; we do not think it is terribly helpful to do that.

73. Is that because you are not allowed to and you are subject to staff cuts?

(Mrs Strachan) No. My point is that I do not think it is helpful to the prevention effort if one goes round saying things like, "The thin blue line is broken."

74. Is what the unions are saying true?

(Mrs Strachan) I would not accept that the problem is in quite such stark terms as they have painted it, nor would I accept that the problem is soluble solely in terms of additional customs staff. I would accept that customs staff have an important part to play and I accept we are not totally satisfied with the existing number of staff, which is why we are putting an extra 60 in, but I would not like to say we need x hundred more until we find out what the 60 extra staff, who are very much in an intelligence-gathering as well as preventative role, find out for us.

75. When it comes to calculating the effectiveness of your efforts it seems to me that you calculate the street value of the drugs, which is a mythical value; you do not really know what it is because it can be inflated or contracted according to the desired purpose. How on earth is the value calculated when it comes to assessing the effectiveness of the efforts you have made?

(Mrs Strachan) Street value is based on the best information we can get from various sources of intelligence about what drugs are fetching on the street, but it is a very imperfect guide; I would not pretend otherwise.

76. A guide which you can treat flexibly?

(Mrs Strachan) We do not deliberately either under-play or over-play street values, but what we do reckon is that we are talking of a very imperfect and very disorganised market, so any numbers we calculate are subject to very wide margins of uncertainty.

77. You do not know how it is cut or diluted or where it may be sold, or in which particular street it has been valued, so you can inflate the figures to magnify the effectiveness of your efforts?

(Mrs Strachan) We could I daresay but we do not.

Mr Budgen

78. You talk about international co-operation as though truth, beauty or godliness was seen by every nation in the same way and enforced in the same way. The fact of the matter is that international co-operation on drugs abuse is extremely hit and miss, is it not?

(Mrs Strachan) Obviously different countries are achieving different results. Indeed, for what it is worth, our understanding is that our approach is thought to be at least as effective as that of any developed country.

79. But different countries have different ideas as to what constitutes a drug, do they not?

(Mrs Strachan) I do not think there is much argument about the drugs about which there has been major public concern expressed.

80. And you quite reasonably say that the balance of your activities between, for instance, drug control and allowing international exchange to continue is a value judgment and other countries have to make the same value judgment and may, for their domestic reasons, come to different conclusions, may they not?

(Mrs Strachan) They may but I do not think that the effects/kind of international co-operation I was talking about which was essentially organised crime operating across frontiers.

81. For instance, it is right, is it not, that in Antwerp it is a great deal easier to get LSD on the street than it is in most places in the United Kingdom?

(Mrs Strachan) I do not have any figures to back or dispute that.

82. But in talking blandly about international co-operation, if this country comes to a fixed view that a recognised government wherever is simply making no attempt whatever either to prevent the manufacture of drugs or prevent the growth of drugs, if they are natural drugs or that sort of thing, what action does HMG take against those governments which it is convinced are doing nothing to prevent trade in drugs and may even be welcoming the trade?

(Mrs Strachan) I am not sure that it is within my competence to say what sort of action could be taken in that situation. So far as we are concerned - and I had better stick to what Customs and Excise can do about it as opposed to HM Government broadly - our international co-operation that I have been talking about is with the anti-drugs enforcement agencies of other countries and there are a number of different fora within which these subjects can be discussed and which can enable contacts to be made. My understanding is that those fora work very well together in terms of co-operating to combat drug-smuggling. What I am talking about there is not so much LSD as things like heroin and cocaine.

Mr Budgen: But you co-operate to the extent that they will co-operate, but what happens when other countries do not wish to co-operate? Is there a system by which you say, for the sake of argument, to the Foreign Office: "Such-and-such a country allows a ready trade in heroin. We know perfectly well that a high proportion of the heroin coming into this country comes from that country. What are you going to do about it?"

Chairman

83. I wonder before you answer if I might take that point up but I want to round off this part of the evidence, which

is a matter obviously of very great concern to the Committee, so I am going to put this question in a slightly different context in a moment. Could I first of all clear up two specific points which have not been clear. Lots of smuggled goods you get, such as whiskey and so on, you auction off and other items, such as pornography, are burnt in the Queen's pipe. What happens to the drugs?

(Mrs Strachan) They are destroyed except to the extent that they are required as evidence in court cases.

84. They have no medical use at all? None of them is sold?

(Mrs Strachan) I do not think so.

85. Do the proceeds of these various things being sold turn up in the estimates?

(Mr Howard) They are Consolidated Fund extra receipts. They are not on the face of the Vote as such. We used to account for sales of seized goods as appropriation in aid but because they are not readily forecastable and not accepted as part of the public expenditure survey they are now included as Consolidated Fund extra receipts.

86. So if you get several crates of Scotch and sell them off at auction it goes straight into the Consolidated Fund and you do not get the credit for it?

(Mrs Strachan) Correct.

87. It does seem a bit unfair. Could I clear up one other point in relation to the value of the drugs which you manage to stop. There is presumably in addition to the so-called street value estimate some sort of purely quantitative estimate in terms of tons of cannabis of some particular quality, for example?

(Mrs Strachan) Yes. We can produce, and, indeed, our investigation division does produce each year, a sort of balance of the quantities of drugs seized in the course of that year and it subdivides according to the kind of drug.

88. So there is a quantitative as well as a price-related instrument?

(Mrs Strachan) Yes.

89. Can I finally come to Mr Budgen's point. Obviously the extent to which the estimates are needed in order to stop drugs coming in is to some extent dependent on the number of drugs which are passing across international boundaries, and to that extent Mr Budgen's question about international co-operation and so on is relevant in the context of the estimates.

I understand the point you are making about general international co-operation between enforcement agencies, which is well-known, but it does raise a broader question, which is, you are a Commissioner so that you are concerned with the whole policy aspect of these questions. Do you think there is sufficient co-ordination, for example, with the Foreign Office and the Treasury on, let us say, negotiations with Libya on whether international debts should be refinanced or not in relation to your kind of problem? Do the Commissioners themselves engage in inter-departmental discussion on this kind of issue?

(Mrs Strachan) I can answer, I think, only in very broad terms, that there is inter-departmental discussion in the course of which this kind of question would come up, but I cannot answer in respect of any particular questions, such as the Libyan debt repayment.

Mr. Budgen

90. For instance, on foreign aid is one of the factors which decides whether the taxpayer should give aid to other nations the extent to which the potential recipient does or does not try to prevent either the manufacture or the growing of drugs which might come here?

(Mrs Strachan) I think the Foreign Office really would have to answer that question rather than Customs and Excise. We certainly do engage in inter-departmental discussion but I think the question you are raising does go beyond anything I can directly answer on.

91. But do you report to the Foreign Office or to the Overseas Development Agency on these things?

(Mrs Strachan) We do not in detail but we do, I think, in very broad terms but I am not very confident that I could tell you in how much detail, so if you wanted to follow that up, we could.

Chairman: I am most grateful. There is one other area that we need to take up and Mr Wainwright has some specific questions on that.

Mr Wainwright

92. You have enabled us to see the Department's Management Plan for 1984/85 and it is on that that I have some questions. This is the second Management Plan which has been prepared. Is it prepared on the basis that it will be seen by some people outside the Department?

(Mrs Strachan) Yes, it is, and this edition of the Management Plan was placed in the Library of the House of Commons, so we hope that there is nothing in it that we would not like to

be seen by members of the public, but it does explain, for example, why you will have searched in vain for any very specific statements of precisely what we were going to do to combat drug-smuggling because it is not there.

93. So it is - and I would expect this to be the case - supplemented by other documents in the nature of a plan or ancillary to the plan for the specific use of various sections in the Department?

(Mrs Strachan) There are supporting documents. Having said that, I would not want to make too much of the confidential/non-confidential aspects. Most of the work of our Department is perfectly explicable to the world at large and we are happy to try to do so. There are only small elements of the work which necessarily we do not describe in detail. If, for example, you looked at the section of the plan dealing with our VAT administration, there really would not be found any account of the planning work they had been doing before the last Budget, but that is a relatively small amount of the Department's resource.

94. In the second plan one would expect some of the priorities for particular sections might have changed since the first plan was issued. Is this so and, if so, are officers supposed to note that themselves because I do not see any explicit statements anywhere that a particular order of priorities has changed?

(Mrs Strachan) Our view is that priorities will change a little over time but that they will not be normally subject to dramatic change from year to year. What we have done is to give the widest possible publicity within the Department to the first two sections of the plan, which include the Board's statement of policy

and we did the same for the previous year's plan and our experience is that our staff read that with a considerable amount of interest.

95. I notice that 20 posts have been allocated to the outfield for work arising from the financial management initiative. Are these posts contributing to the development of the Management Plan?

(Mrs Strachan) Not particularly the 20 posts in the outfield. Those posts are mainly, if my recollection is right, executive posts who are being sent into each of the collections to help with the management of the delegated budgets and the greatly increased authority to switch within budgets. The Management Plan development work is being done by a small team in headquarters and, of course, all headquarters divisions are very much involved in the actual preparation of the plan.

96. Could you illustrate for us how this I take it new arrangement for re-arranging expenditure within budgets differs from the regime of, say, two years ago?

(Mrs Strachan) Yes. The collectors and regional managers have for some considerable time had the delegated responsibility of estimating their manpower requirements and to do a fair bit of regrading within their complements when they were finally given to them, so they have had quite a lot of delegated authority to manage people. They now have, compared with a few years ago, a considerable amount of delegated control of actual expenditure. They now all hold budgets for travel and subsistence, overtime, telecommunications, postage, stationery, car parking, fuel and utilities and furniture and minor works. In addition to that, four of our six pilot collections - and the pilot collections are the ones who have been helping us particularly on developing planning

at collection level - also have accommodation budgets, so they have cash to manage their actual accommodation as well, and of those four, two also have their manpower budget expressed in cash terms, so when you get to those two collectors - and this is very much an experiment - they have now got control of virtually all their expenditure and pretty well authority to switch from one item to another as they judge the needs of the work demand. That is not to say that they are completely free of audit or monitoring. We want to know what they have done and if they are unable to account satisfactorily for what they have done we may require them to take corrective action, but what we are trying to do is give maximum authority to spend money to the people who are having to take the operational decisions which cause the money to be spent.

97. How long is this likely to go on on a pilot basis only before it is spread to the whole of the Department?

(Mrs Strachan) I think we have an open mind on it. If we find that the collectors who have got the maximum authority are finding it useful and a real advantage to flexibility of decision-making, then our aim would be to extend it nationally within a year or two. But I stress that we do have an open mind on it. We are very conscious, particularly with the manpower budget, that it is quite complicated to manage in cash terms. It is very much more complicated than just trying to keep track of numbers of staff. We will, I think, want the collectors who are doing it to feel satisfied that they have genuinely got benefit out of it to justify the additional work that they are having to put in in order to manage that very large cash budget before extending it.

98. As one would expect, there is obviously great difficulty in measuring output and effectiveness. In the gallant

and very necessary attempt to do it to what extent are you helped by other units from the Treasury or the Personnel Office or elsewhere?

(Mrs Strachan) The way that we are tackling measurement is that we are starting with VAT, which you may well say is the easiest area with which to start, because with VAT there is an abundance of material which enables us to measure our effectiveness and our efficiency. We are trying to establish on VAT what the best and truest measures are so that we can establish those nationally. We are using our own operational research staff to do this. In common with other departments we get very valuable advice from the financial management unit and we also get advice from the Treasury as and when we need it about other departments' experience in measuring achievement. I should say, for what it is worth, that I do not think we are behind other departments in measuring achievement. I think all the departments find that there are areas of work where it is very difficult to find suitable measures, but we are all struggling fairly hard to try to isolate meaningful measures and apply them in support of our objective-setting.

99. My last question is in relation to that and I notice in several places, and particularly on page 24 of the Management Plan, 5.5.4, it is stated that quantitative assessment of the effectiveness of the performance of budget centres will be made by comparing cash limits with outturns. Would you agree that that is really a very preliminary approach to assessing effectiveness?

(Mrs Strachan) Absolutely, because if the outturn differs from estimate that can be for a variety of reasons because

of the unforeseen or, indeed, unforeseeable things that happen to blow one off course. It may be, however, simply that one has done one's estimating wrongly or that one has failed to keep a proper grip on expenditure as it goes by. I think think that this sort of measure, like every other measure that I have ever come across, is not an answer. It is simply an indicator from which one can ask questions in order to establish the answer.

Chairman: I think the same is probably true of us as well! Mrs Strachan and Mr Howard, we are deeply grateful to you for coming along this morning. I think there have been very few occasions when we have had evidence presented so cogently and clearly. We are very glad indeed you were able to be with us and thank you very much indeed for coming. There are very few extra notes we shall need in the light of your instantaneous answers, including Mr Howard, on particular quantitative points.

MEMORANDUM SUBMITTED BY HM TREASURY

Examination of Witnesses

MR B. T. GILMORE, Under Secretary, Principal Establishment Officer and Principal Finance Officer, MR B. M. FOX, Assistant Secretary, Deputy Establishment Officer, and MR E. J. NEEDLE, Senior Principal, Finance Officer, HM Treasury, called in and examined.

Chairman

100. Mr Gilmore, we are most grateful to you and your colleagues for coming this morning. As you will have seen from the gallery, we are conducting the first ever inquiries into the main estimates of Government departments and although under the new procedures we are able to debate particular estimates, at the same time it seems to us it would be helpful to take evidence more generally without necessarily feeling it is a matter which needs to go to the floor of the House. It does mean in our general role of monitoring the Treasury and the other departments it gives us an opportunity to go behind the figures a little onto actual policy, so that we have some sense of the priorities which departments are using when deciding how much to spend on this or that particular item.

Perhaps I therefore might ask you to begin by introducing your colleagues and then if there is any general point you would like to make at the outset we would be happy to have it.

(Mr Gilmore) I am the Principal Establishment Officer and Principal Finance Officer responsible to the Permanent Secretary and Chancellor for planning, controlling and accounting for the Treasury's own use of its resources in the work it does. That amounts to people, money and other physical resources like buildings and equipment. Mr Fox is my Deputy dealing with people and Mr Needle deals with money. For my own part I would encourage both of them to join in in dealing with your questions as you go along. I might as a general remark say a word about the contents or structure of the Vote. It contains a miscellany of items, some of them pretty small. Most of the money in it is the provision for the work of the Central Policy Division, that is to say Subhead B.1 - £29 million out of the £43 million. And of that £29 million the basic structure is that some 60 per cent of it is pay and closely related staff costs, like travelling and subsistence expenses; another 25 per cent is accommodation, which in the circumstances of an office operation is closely related to staffing. The Treasury essentially is people and getting value for money is at heart a matter of deploying their skills and experience to get the work done, which from our point of view throws a heavy emphasis on staff management. At present also we are changing technology on the tools that they have to do the job.

Chair/^{man:} We are grateful to you for your introductory remarks. There are various points I think we would want to pursue. We are happy if your colleagues join in of course.

Mr Beaumont-Dark

101. To start off on a very topical issue - the Head of the Government Accountancy Service; that is going to be Mr Anthony Wilson is it not?

(Mr Gilmore) Yes.

102. We know where he fits in on the money pecking-order at £75,000 a year - not that that is an implied criticism; I believe it really means a financial drop from his partnership practice to do the job. But you remember this Committee was interested in how his ranking order would be in the Treasury. Has that yet been decided?

(Mr Gilmore) Where he will fit in terms of his work and his working position is that he will be a member of the senior team within the expenditure area of the Treasury which works on such issues as organisation, efficiency and so on, across the Service. And that team was led by the Second Permanent Secretary for public expenditure. Like any senior Treasury official he would also of course report and advise the Chancellor direct on issues that were his business. I think that is the answer to your question. He will also be bringing together, who work for him now, certain units within the public expenditure - but that is a different question.

103. Is the idea then that he should be a bit like Terry Burns who came from the outside as an economic adviser because it is a strange bird is it not - not Mr Wilson of course, the appointment. It is one we approve of very much, but it is a strange fitting into the hierarchy is it not?

(Mr Gilmore) It is an appointment that has to be taken, as it were, in itself. I think it is right to say our approach

to this throughout has been that the right thing to do was get the responsibilities within the Treasury fairly clear. He may himself say something on the details of that - but it is to get the responsibilities fairly clear and see how that fitted into the working structure of the Treasury, which is logical and sensible, as I expressed it.

104. Is there meant to be a term for it? How is he a five-year contract or a permanent appointment?

(Mr Gilmore) He has a term contract. Technically it is a four and a quarter year contract, as it happens; because the position was to go through to the end of 1988 and he starts on the 1st October.

105. He will have a four and a quarter year contract, at which time that can be renewed. Is this to coincide with the Parliament or is it purely coincidence?

(Mr Gilmore) If that were to coincide with the Parliamentary timetable it would be purely coincidental. As you have mentioned the question of renewal, there are provisions about renewal of contracts of this sort, namely, that the Civil Service Commissioner would have an interest if it were proposed to renew.

106. Obviously auditors are strange creatures in the sense that they are paid by people to criticise. Would he directly report to the Chancellor or would he have to go through another senior officer to do so?

(Mr Gilmore) I think the answer to that will depend on what the substance of his report is to be. It is a question that arises in the day to day work. He will be working in a team under the Second Permanent Secretary. If there is something on which it is perfectly right to advise the Chancellor, he will do that. I am sorry, it is

not a clear-cut answer in hierarchical terms, but it would not necessarily be a wrong way to go about this appointment, to be very hierarchical about it.

Chairman

107. It might be helpful - you have been kind enough to provide us with a diagram showing the structure of the Treasury, which includes particular appointments which have various responsibilities. Could we have a diagram which includes his position in the structure, so that we can see where it is?

(Mr Gilmore) We shall be coming to that. His appointment is for the 1st October and in terms of the organisation chart we have reorganised quite a bit of this.

108. So we would like a new reorganisation chart showing where he is going to fit, so that we can comment on it.

(Mr Gilmore) Yes.

Mr Beaumont-Dark

109. Is it fair to ask - this kind of appointment, is it one that is welcomed within the Service or is there a sense of it not being entirely necessary?

(Mr Gilmore) I certainly do not think there is any sense in the Service in which it is not entirely necessary. I think it is an appointment widely welcomed within the Service. I doubt if it is the top subject in the canteen.

110. Is not one of his important tasks going to be to see, if you like, more accountants are brought into Government service, not so much training from within but bringing in more from around. Would that not be part of his job, to see the accountancy side is more professionally managed, as companies and nationalised industries have to be today?

(Mr Gilmore) It is an essential part of his job to see the accounts work and it is really well managed. I am not sure he would start with any preconceptions about what that would involve. I do not see why it would be supposed that would be resisted.

111. I was asking a question and not making an accusation. You are pretty confident it would be welcomed and not resisted?

(Mr Gilmore) Yes I think it will. I certainly do not want to start pre-empting what his future view of management will be.

Chairman

112. Would it require a supplementary estimate?

(Mr Gilmore) No.

Mr Townend

113. The same as in the estimate?

(Mr Gilmore) There is a considerable salary provision in the estimate in general terms.

Chairman

114. So if an additional salary is paid which was not previously in the estimate there would be no change at all?

(Mr Gilmore) No, that is not quite the case. In constructing the estimate we of course could not make a specific salary provision. What we did was to include in the estimate the existing Department of Industry provision, for lack of anything better. We did that not only for the man and his immediate staff but also for the staff of the central management also in the Department of Industry who will come across to work for him.

115. That raises rather serious questions. It suggests that somehow the figures coming before Parliament are an approximation

and there is some margin of error in them.

(Mr Gilmore) I am sorry, Mr Chairman. We make the best provision we can. We are duty bound to make provision for what we expect, and we can only make the best provision for that that we can. Within the salary provision however we also have to take account of what we call realism; so we do not simply add up every salary we can think of throughout the year and say, "Right, that is the salary provision". We take the staff numbers we expect to have and then say to ourselves, "We will have recruitment difficulties"; so we also make some adjustment to our final estimate of salaries because of that realism. We are duty bound to do that, to give you as realistic an estimate as we can.

116. So we get an estimate which is as realistic as you can make it. Let us say there is some variation in the actual amount you have expended and it is greater than was previously the case. Is that reflected in the supplementary?

(Mr Gilmore) That would depend on whether the variation was sufficiently large to take one out.

117. But at the end of the day the money has to be spent and that has to be a precise figure down to the last penny.

(Mr Gilmore) Yes, and we account for that and report what is actually spent. But in terms of the passage of time between the preparation of the estimate and the final accounting for the year, an amount of the order of, shall we say, £10,000 which might be a salary calculation, would not necessarily give us a need to raise a supplementary estimate. If we had made inadequate provision, for instance, it would be up to us to find offsetting savings for it in the course of a year.

Chairman: We may wish to go into that further.

Mr Howell

118. Following on Mr Beaumont-Dark's question about the appointment of Mr Wilson, can you tell us a little more about the division of responsibilities between Mr Wilson and the Comptroller and Auditor General? Is the Treasury audited by the National Audit Office?

(Mr Gilmore) Yes, the Treasury itself is fully audited by the National Audit Office. For the sake of completeness I would add that on the estimate before you the Civil List has its own auditor. There is a separate appointment according to the Civil List, and the relationship of the National Audit Office to the Chequers Trust and to one other item - which escapes my attention for the moment - is that those two bodies have their own auditors, and the National Audit Office of course has the right of access to the books under the new dispensation; but they have their own audit arrangements.

119. And how is the National Audit Office audited?

(Mr Gilmore) I am not sure immediately. There used to be an arrangement whereby the Treasury Accountant audited it. I do not know if that continued. It is not my, as it were, piece of expenditure to be accountable for.

120. In order to try to establish higher effectiveness and value for money is controlled within the Treasury and to see what sort of control you are establishing, would you like to comment on the recent Public Accounts Committee Report, No. 12, where a quantity of money which was allocated for early retirement, £8.6 million originally, finished up at £54 million when the report was last written, and I understand it is now up to a total of £68.1 million? Has the Treasury no way of stopping funds from flowing out in

this uncontrollable way?

(Mr Gilmore) Well, the Treasury of course has ways of monitoring what is going on. The primary responsibility for accounting for the money which they spend themselves rests with the operating department. It is a very important principle to preserve. The Treasury is concerned that they have proper systems and is concerned, for instance, to keep track of what is going on during the year at the SI and at estimates time. It will want to look at particular operations and for that matter it will receive monitoring information which it may wish to respond to. The particular case you refer to is not one with which I am familiar myself in detail because it is not on my Vote, if I may say so.

As I understand, however, the Department have in fact said that the original estimate in this case and the degree of delegation not from Treasury to department but from department to the authorities was wrongly set and measures have been taken to change that. That I think is so to say an error and, of course, errors can tell you something about avoiding them. I do not think they mean you have necessarily a whole new system to lay in or something of that sort.

121. Is the Treasury watching expenditure of this nature as it is going on or does it only know about it at the end of the year?

(Mr Gilmore) No.

122. Or when it is brought to attention by an exceptional report such as this?

(Mr Gilmore) The Treasury is watching expenditure of this sort as it is going on. There is a financial information system which involves reporting to the Treasury Expenditure Commissioners. How precisely this one came to attention I am afraid I could not tell you without going into the case, but the Treasury does monitor and will react to the information it gets.

123. Turning to page 8, I wonder if you could explain under B1 (2)(a) the series of figures here about staff numbers, "480 staff at 1 April 1984 decreasing to 487½ at 31 March 1985". Then it says "(500½ decreasing by 1½ in 1983-84)". I cannot understand what all that means. Is there an explanation?

(Mr Gilmore) What we are saying there is that the numbers of staff that we are here making provision for as we plan it is so many at the beginning of the year in question and so many at the end because provision, of course, is the totality of the year. The piece in brackets is picking up what happened last year so that the comparison can be made, if needed.

124. Why does it say $500\frac{1}{2}$ decreasing by $1\frac{1}{2}$? What exactly does that mean?

(Mr Gilmore) It means that the way we count staff there were $500\frac{1}{2}$ and part-time staff simply counts as half. That is why you get half.

125. These are whole-time equivalents, are they?

(Mr Gilmore) Yes.

126. Are they actual people? Can we know how many actual people are involved?

(Mr Gilmore) We provided separately the breakdown.

127. They are not described as full-time equivalents as is normally the case.

(Mr Gilmore) No, I think, if I may say so, this is the convention of how these figures are presented, that we show you the size of staffing at the beginning and end of the year on which we are basing the provisions.

Chairman

128. Of $500\frac{1}{2}$ how many are full-time - actually full-time - and how many are part-time people?

(Mr Gilmore) The majority would be full-time.

129. We do not want to know the majority. How many?

(Mr Gilmore) Sorry, I cannot answer the precise question off the top of my head.

130. You have no idea how many people you employ in the Treasury?

(Mr Gilmore) No, yes, and indeed the figures at the moment, for instance, are ——— It depends what you mean by the Treasury but ———

131. I mean the people covered by this particular part of the estimate. How many are full-time people?

(Mr Fox) There were 95 part-time staff in the Treasury as at 1.4.84, so of the whole figures —

Mr Townend

132. There is a discrepancy in the figures. $500\frac{1}{2}$ less $1\frac{1}{2}$ makes 499; surely 499 is the figure at the end of 1983-84 year, 31 March, so that should be the same as the figure above at 1 April 1984, but that is 480. There is a discrepancy in the figures of 19.

(Mr Gilmore) If we were dealing with a retrospective actual statement of what there was, that would be true. What we are dealing with here is a statement of the figures on which the provision has in prospect been based.

Mr Howell

133. Is there not a point here that changes should be made so that full-time and part-time staff should be separated so that, when one looks at this, one can have a clearer idea of what is going on?

(Mr Gilmore) I think we could do that for you.

Chairman

134. We have now established how many part-timers there were at 1 April 1984. How many full-timers were there at 1 April? (A pause) For goodness sake, you ought to know. Take your time, but we would like to know.

(Mr Gilmore) In total Treasury —

135. As covered by this estimate, the heading we are discussing now.

(Mr Gilmore) I cannot offhand give you the breakdown for this particular subject. Chairman.

136. Since we cannot ascertain it from the description and you do not know the answer it is a little unreasonable to ask the House of Commons to approve the money.

(Mr Fox) It would be the following figure, Chairman, on this Vote, 1,884 staff in place. Since there are 95 part-time staff that would mean there are $47\frac{1}{2}$ whole-time equivalents. So the difference between 1,884 and $47\frac{1}{2}$ is the number of whole time equivalents.

137. Under the heading we are now discussing, that is to say —

(Mr Fox) This is Class 13, Vote 4.

Mr Howell: I was asking about this particular one.

Chairman

138. Let me be quite clear: we are talking about section B1 (2)(a), which is the area we were discussing at the outset.

(Mr Fox) We would have to —

139. You are now telling us about 1,884. There is no such figure at all.

(Mr Fox) I was talking about the whole, I would have to take away from that the staff numbers at Chessington. I will do that.

140. Let me rephrase the question: we have here a heading, Section B, B1 (2)(a), where we are told there are 480 staff at 1 April 1984 decreasing to $487\frac{1}{2}$ at March 1985, then " $(500\frac{1}{2}$ decreasing by $1\frac{1}{2}$ in 1983-84)". What we want to know is how many full-time people and how many part-time people that summary figure comprises.

(Mr Gilmore) And I have to say to you, Mr Chairman, I apologise for this, but I cannot off the top of my head give a

precise answer to that because the way in which we track the whole people is very complicated and the way in which this provision is made is an abstraction from that, which we then put to you as a realistic estimate of what would be there, and I do not have the relationships in my mind to this degree of disaggregation.

141. I am not asking you for how you track them. Just let us try and establish how many full-time people were actually employed at 1 April 1984 under that heading.

(Mr Needle) I can tell the Committee that in the central sector the return shows there were 480 in the central sector at 1 April 1984 and at 1 April 1985 $478\frac{1}{2}$, and we can break that down by grade for you from this particular return, but I rather doubt that we could actually tell you which of those were part-time staff here and now.

142. Very well, we now seem to have three difficulties. The first one is the misprint in the estimate which has not been corrected. The second one is the point made by Mr Townend which is that there seems to be a discrepancy between $500\frac{1}{2}$ decreasing by $1\frac{1}{2}$ in 1983-84 and the number who were actually there at 1 April 1984. The third thing is the fact that, despite all the complicated calculations, apparently no one can say how many actual full-time people there were employed under this heading on 1 April 1984. Now, leaving the misprint on one side, what is the answer to Mr Townend's point about the $500\frac{1}{2}$ decreasing by $1\frac{1}{2}$?

(Mr Gilmore) The answer to that, Mr Chairman, is that is the figure which was on the estimate in the previous year. We do not wish to stick to it now because we have to give you a

realistic estimate for the forward year. So we start from where we think we will be. There was, if you like, a degree of over-estimate on that particular point in the previous year. When we came to get there, we reckoned/^{it}to be about 480 instead of 500.

143. How do you reconcile $500\frac{1}{2}$ decreased by $1\frac{1}{2}$ gets to 480?

(Mr Gilmore) We are talking about different sequences of calculation. The figure in the area of 500 is the figure which we expected to get to when we did the estimate for the previous year. The figure around 480 is where we reckoned/^{to}start from when we did the estimate.

Mr Howell

144. This business of "around 480" - I cannot imagine any other organisation, any private organisation, would run its affairs by talking about "around this number of staff". It seems to me very strange too that all part-time staff apparently are treated as half-time. Surely that is not necessarily so, is it?

(Mr Gilmore) It is not necessarily so, but in fact what they work is part time. It is a fairly well established convention of the reporting of manpower numbers that they all are considered as part time and it evens out.

Mr Howell: I think this is part of the reason why we cannot get at the root of what is going on as far as manpower is concerned, because it is so confused between part time and whole time and to lump them together in one figure means it is impossible to see what is happening. Therefore, I believe we ought to insist on it being published as so many part time and so many full time.

Chairman

145. I think we would like a complete note on all the points raised, and rather quickly since we may wish to debate it on the floor of the House when the estimates are being considered. Earlier the figure was referred to in a wider context as 1884. You have also provided us with a breakdown by grade total in class xiii, Vote 4 - Civil Service manpower numbers. I presume that is the same concept?

(Mr Gilmore) Yes.

146. Why does it total 1868 and not 1884? The figure we were given just now was 1884, but if you add them up in the sheet they come to 1868. What is the explanation of the discrepancy?

(Mr Gilmore) I think I must include it in the note we give you.

147. You do not know what the discrepancy is?

(Mr Gilmore) Not in terms of the different things we are counting here.

Mr Howell: On page 6 it says there are 1888 total staff in the Treasury.

Chairman: Perhaps we need a note to explain that as well.

Mr Townend

148. Coming back to the estimates, there are some quite large changes from the previous year. For instance, the central sector is up by 15.2 per cent but the domestic economy sector is down by 41 per cent; and the public services sector is up by 27.8 per cent. Does it mean there have been some significant changes in the heads to which various expenditure has been allocated? As to item 2 under B1, the central sector, last year it was £8.2m and this year it is £9.447m, which is an increase of 15.2 per cent; in the domestic sector (B1(6)) last year it was £3.957m and now it is £2.334m. There has been a significant increase in the public services sector. Has there been a complete reorganisation of how the estimates are drawn up?

(Mr Gilmore) It means there has been a significant shift in the way they are set out here which has not been brought out particularly in the total.

Mr Townend: But it makes it very difficult to make a meaningful comparison if the basis of drawing up the estimates has changed from one year to the next. I would like a note explaining this. I think it would be helpful to the Committee if they were informed when there was a change in the basis on which the estimates were drawn up.

Chairman

149. Could you arrange that?

(Mr Gilmore) Yes.

Mr Townend

150. Following on from that, how does the Treasury decide the level of resources to be devoted to areas of responsibility? Take macro-economic management and control manpower. How do you decide the level of resources?

(Mr Gilmore)

In terms of the basic scale of operation it starts from the fact that any government takes a view about what policies it wishes to pursue, what the Civil Service wishes to pursue and what the size of the Treasury is. One begins with the question of scale, and here the baseload is allocated to the different areas. The baseload work does not change drastically. What we have to do in the internal management of the Treasury in that situation is make sure it is tautly efficient and complemented in particular cases against the work to be done, which tends to become a question of judgment about where there is something to be gained by adding in resources, and where work pressures or interest fall away there is a switch away, so one is dealing with questions of that kind. Those issues have been dealt with hitherto by a combination of continuing dialogue between Treasury Ministers, Treasury top management and establishments in the Treasury about the sort of thing which has to be done, the sense Ministers have of the way they are being served, the jobs to be done and the loading of that work in the judgment of ourselves who, for instance, would want there to be staff inspections to see what the loading was. In that sense it breaks down to the particular case and you look at the particular case. I might say we are in fact working up a system whereby once a year we deliberately stop and look at it across the board in terms of what is to be done, why and what the resources are to do it at that moment, but that is more a question of adding to our annual deliberations, or adding to what is done now. Then, if you want to come to a particular case you will start to deal with the judgment to be formed by the responsible people about the returns in that particular case.

151. Do I take it that this year there has been a major change in the allocation of resources and that is borne out by these

estimates? For instance, the domestic economy sector has gone down by more than 40 per cent?

(Mr Gilmore) There has not been a major shift of that sort. There is some other explanation underlying it about the way the figures have been estimated which we can tell you about. There has not been a major shift of the relative disposition of forces.

152. Have there been any major studies done of the level of appropriate effort and resources for each particular sector?

(Mr Gilmore) Very comprehensive consideration was given a couple of years ago to public expenditure work, to take an example. It concluded at the time that the level of resources was about right but might need to go up as the interest in financial management developed, and it drew up conclusions about the importance of the training and deployment of specialist skills and the time in post of the staff doing the work. Coming to the question of the quality being brought to bear, which at the moment is being pursued and developed, we are paying more attention, for instance, to the deployment of specialist skills in the public expenditure control work. The question of the precise numbers has been dealt with by a programme of staff inspections through the divisions concerned in which inspectors have settled in with the management and looked at the work to be done and the loading of the jobs. Detailed management in those areas may want to raise this, that and the other possibility. One by one these have been considered and reported on through the staff inspection system and implemented. The general effect, as it happens, has not meant a great increase. There was the developing effort involved in the financial management work and also the bedding down of the integration of the manpower work previously done by the OSD with the financial work of estimating in the case of the Treasury,

and the net result was that there was not much reason to change.

Chairman

153. Is the public expenditure sector now responsible for the control of manpower as well as money?

(Mr Gilmore) Yes.

154. Do you think that is a major change?

(Mr Gilmore) I do not think it is in terms of the vote we are looking at, because that was a fact very soon after the Civil Service Department's responsibilities and staff controlling manpower were brought into the Treasury, which was at the end of 1981.

155. Has the divorce of the control of manpower from the question of pay created any difficulties?

(Mr Gilmore) Manpower control is brigaded with pay control in one sense. The separate pay operation is an operation about determining rates of pay, that is, the unit price which has to be considered in relation to any department's pay costs. The manpower structure then becomes a multiplier. Pay determination does indeed need to be done across the service as a whole. The determination of the total staff cost operation becomes a matter of very considerable linkage with the control of the individual departments' estimates; you have to cut the cake somewhere, and it is that relationship between the staff cost provision in a budget and the manpower work which is regarded as being close and it is kept together in the public expenditure groupings.

156. Does it create difficulties?

(Mr Gilmore) It does not create difficulties because those people who are dealing with pay rates and those people who are dealing with the overall staff cost provision will have to work

closely together; it is a familiar feature of Treasury work.

Mr Budgen

157. Dealing first with the EEC, it is reported by the Commission that they anticipate they will be £1.4bn short on their budget in their present financial year and they are going to have to ask Member States for some form of additional contribution. Has any formal approach been made by the EEC to the British Government?

(Mr Gilmore) I do not myself deal directly with that. I am not aware of any formal approach having been made.

158. You have read, as any other member of the public will have read, the various speeches by, for instance, Commissioner Tugendhat on the subject?

(Mr Gilmore) I am aware of the general state of the issue only as any other member of the public is aware of it.

159. But you have no further information that you can give to this Committee?

W (Mr Gilmore) No. Indeed, I am not sure that the people dealing directly with the issue at the moment would be able to do so. The Government's position is fairly clearly stated, that the Commission ought to live within its means. What might or might not happen in the future is not something you could have information about at the moment. I do not think there is such a thing.

THIS IS A QUESTION FOR MINISTERS
160. Does the Treasury have any view about the way in which any such shortfall might be funded by at any rate this country as between, shall we say, a return of the refund or an immediate increase in own resources or a loan or an accelerated payment or whatever?

(Mr Gilmore) I am sure the Treasury would have a view and I am sure it would be related to the circumstances in which the problem arose and what the problem was. I cannot myself go into the inwardness of it very clearly with you because it would not be something which I would be dealing with within the Treasury. My own responsibilities would relate to the Treasury's deployment of its own resources and this would be dealt with separately.

Chairman

161. If there were a refund would it appear in these estimates?

(Mr Gilmore) It would appear in this estimate before us now.

Mr Budgen

162. But presumably the Treasury does at least have a tentative view, does it not, about how any increased payment would be funded?

(Mr Gilmore) The technicalities of this sort of operation have been gone over with the Committee by those responsible and I cannot add to that.

163. I see that the Treasury made a grant-in-aid to NEDO of £6 m. I do not think we need go into the detailed amount but there have been recent reports that more use might be made of NEDO. Is there any plan to pay more in order to get more out of NEDO?

(Mr Gilmore) There is not a plan.

164. Or a proposal?

(Mr Gilmore) There is not a proposal, no.

165. Has there been any change, so far as you know, in the Government's attitude towards NEDO?

(Mr Gilmore) The general position on that, I think, was stated recently in the sense that, given the withdrawal of the TUC participation in the Council itself, it would simply be wrong to make a hasty judgment about how to proceed and that is the position. The work of the smaller committees, of course, is continuing.

166. It remains in a sort of state of semi-animation?

(Mr Gilmore) If you look at the bulk of the work it is more than semi-animation, of course.

Mr Budgen: It is a far cry from its most magnificent days in the period between 1970 and 1974 when it was fast taking over from the sadly outdated Procedures of Parliament, was it not?

Chairman: I do not think that arises immediately on this estimate, I must say.

Mr Mitchell

167. Why are not the staff of NEDO included in the Civil Service manpower?

(Mr Gilmore) Because what it is to be employed by NEDO is not to be employed by the Government and that means that the staff are not by reason of their employment civil servants. They are the staff of a non-departmental public body or quango, as they are called. That is the answer to your question. There are, of course, one or two other organisations where one can start to wonder about quite how this principle bears but that is the principle. Just for clarity I ought to say that some of the staff of NEDO are, as it happens, civil servants because they have been seconded to do the work, so some of them are actually civil servants.

168. But not counted?

(Mr Gilmore) They would be counted.

169. Has the efficiency of the Treasury been affected by the Civil Service manpower cuts?

(Mr Gilmore) I think it must be the case that if you take the Treasury as a whole with the total figure, including places like the Civil Service Catering Organisation and the Central Communications and Telecommunications Authority, there has been a reduction of the order of 20 per cent. from 1979 to 1984 and I think anybody would take the view that the operation is more efficient. You can then break it down into its parts because that is where you would then have to form a judgment.

170. On what basis do you say it is more efficient - just that it is doing the same amount of work with a smaller number of people?

(Mr Gilmore) It is giving more value for the money it is taking from the taxpayer.

171. But there is no measurement of whether it is doing the job as adequately as it was before?

(Mr Gilmore) In certain areas there is indeed a measure. For instance, if we take the Chessington Computer Centre, which is carried on this Vote under a different subject, it is doing rather more work than it was doing then with fewer staff and that is a fairly clear indication, I think, of increased efficiency. The same can be said of the superannuation awarding work. If you, however, come to the policy advisory part of the Treasury, that is an area where one would not go for a measure anyway, one would go for a judgment. The degree of reduction there over that same period is at any rate more than 10 per cent. I have to say "at any rate more than" because the amalgamation of the Civil Service Department policy work with the Treasury work makes it difficult to jog back and the figure that I am giving you is a figure which, if you like, takes no credit for relevant CSD savings from 1979 when it changed. It is 10 per cent., $9\frac{1}{2}$ per cent., without. The effect which that has on the efficiency of that work in the policy areas is not something you can measure. It is a question of whether the Treasury ministers are getting the service they want. In my judgment, the work is being done properly. There are no defects in efficiency. It does not, of course, necessarily follow that everything is being done that was being done before they lost staff but it does, in my view, tend to mean that it is a more efficient operation.

172. When it comes down to apportioning cuts between, say, macroeconomic management or the control of expenditure and control of manpower, what you are saying is that apportionment is really a question of hunch and facing the howls of pain if they arise?

(Mr Gilmore) No, I am not saying that, I do not think. It is not a question of hunch. It is a question of, as time develops, tracking the needs as they change in all areas of work, which can change for all sorts of reasons: interest moves from one area to another, a means of doing the work is found which may produce a saving of staff and so on. It is a matter of tracking those as they develop and adjusting the staffing at the margin, and when you take that back into the overall equation I think it is wrong to suppose that what happens is that you decide to cut and then that just leads through into your system. That is not the way at all. What you do is to go through that business of judging but the deployment of the resources at the margin which I have described was, of course, against the background that the general requirement is for leaner, tauter operations and as it may be less work has to be done you achieve your targets that way.

173. What is the relationship between the Central Computer and Telecommunications Agency, for which the Treasury is responsible, and the Chessington Computer Centre, for which the Treasury is also responsible?

(Mr Gilmore) The Central Computer and Telecommunications Agency is an organisation which deals across the whole Civil Service with controlling Civil Service expenditures, controlling departments' expenditures on information systems, guiding and advising departments how to develop them, buying equipment and providing technical support, and it does that for all departments, including the Treasury, so we have a part of the Treasury, if you like, dealing with the Treasury. The Chessington Computer Centre is a payroll computer which operates payroll services for 17 or so departments and certain other services as well, and it is one among

the Government's various computer operation centres, so the relationship between the Agency and the Computer Centre follows from that.

174. The staff are interchangeable, are they?

(Mr Gilmore) The staff are not entirely interchangeable because it takes different sorts of staff on the whole but there is a degree of interchange. The relationship in terms of the explanation I have given you about the responsibilities is that, for instance, when the computer equipment at Chessington was changed recently the Agency approved the operational requirement and the choice of equipment and actually brought in their own. It is that sort of relationship.

175. Could one or both of those be privatised? Has any consideration been given to that?

(Mr Gilmore) The Agency has been the subject of a very fundamental review of its role and responsibilities, which I think it is fair to say was done by the incoming director of the Agency, and it is now with Ministers. I think it is fair to say they did actually start from scratch and said, "Do you want this done at all?" and it has made certain recommendation which I think we will have a decision on fairly soon. In terms of privatising the Chessington Computer Centre, there are certain things, of course, which in a way are the natural development of this area of work which allow for a degree of use, so it is making increasing use of brought-in packages for its trainees. That is a natural development of the art in terms of simply, as it were, having the work done outside. You start from the position that the Civil Service payrolling is really quite radically different from most of the payrolling which is being done outside at the moment where there is a capacity decided. The pay system is much more complicated.

It has additional things to do. You also start from the position that the cost is in the preparation of the pay information before you put it into the computer. Chessington has a very cost-effective record in relation to the Civil Service as a whole in taking on departments' work and making savings in the clerical effort. There, is, I think, negligible prospect that one would be able to put the work out without actually incurring considerably higher expenses by having the clerical effort thrown back into the department, so that is the basic position from which you start and that has been the judgment on that issue at the moment. I think it goes back to at any rate the 1970s when there was consideration given to a computer payroll.

Chairman: Mr Gilmore, I hope it is apparent to you and your colleagues that some of your evidence this morning has not been satisfactory. We shall expect to have a full note on the particular point that we asked for a note on earlier. We will need to make a decision by next week on whether particular estimates need to be debated and, therefore, we would like that note before the weekend. Good morning.

CONFIDENTIAL

FROM: B T GILMORE
14 June 1984

- 1. SIR PETER MIDDLETON
- 2. CHANCELLOR

Em I shall read these with
*Care this evening and
 may have comments
 tomorrow morning*

- cc Chief Secretary
- Minister of State
- Mr Bailey
- Mr Anson
- Mr Battishill
- Miss Brown
- Mr Judd
- Mr Collinson
- Mr Gordon
- Mr Fox
- Mr Needle

*OK Subject to any
 comments from Sir
 P Middleton?*

Bm

*I suggest a word with
 Sir P Em at tomorrow's
 bilateral.*

DLCP

TCSC EXAMINATION OF TREASURY ESTIMATE

I was unable to satisfy the Select Committee yesterday morning about the complicated numbers in the Estimate, and the Chairman concluded by remarking that some of the evidence had not been satisfactory, and the Committee wanted explanations by the weekend since they have to consider next week whether to recommend that this Estimate be debated on the floor of the House in July. I understand he is angry, in part because he has not the material for a substantial report. Most of the topics intended to have been covered were not touched on at all, and the Clerk has since written to ask for notes on them (A).

2. I submit a draft reply (B). It needs to reach them in good time for the weekend to avoid further irritation.

3. I should draw particular attention to the first question, about the position of Mr Wilson on the organisational chart. Their interest is in the level at which he is shown, and they will no doubt regard this reply as temporising. Question xi on privatisation is also particularly sensitive.

4. I should also draw attention to the latter part of the answer to questions ii-iv, about numbers. The way these were shown on the Estimate is not satisfactory, and I believe we must say so.

5. The Estimate and material supplied to the Committee is attached for reference.

See the record below

*Re X, it wd be
 Shown to add that
 he has done
 accm & (Jag) Mans - me
 the Ch. Mr. [Signature]*

B T GILMORE



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

01-219 (Direct Line)
01-219 3000 (Switchboard)

Note at end

cc Sir P Riddington
Mr Bailey
Mr Anson
Mr Bathurst
Mr Fox
Mr Gordon
Mr N J King

Mr Gilmore

TREASURY AND CIVIL SERVICE COMMITTEE

13 June 1984

David Nargrove Esq
H M Treasury
Parliament Street
LONDON SW1P 3AG

Dear David

ESTIMATES 1984-85

Following this morning's meeting the Committee would like to have before the end of the week answers in writing to the following questions:

- (i) How does the new Head of the Government Accountancy Service fit into the organisation chart with which you provided us before the meeting?
- (ii) The preamble to the Vote say Treasury staff numbers are 1888 at 1 April 1984 decreasing to 1872 by 31 March 1985. These numbers (minus 4 staff in the office of the Lord Lyon) reappear in the analysis by grade with which you have already supplied us. Could the 1888 (or 1884) figure be split between full-timers and part-timers?
- (iii) Will you confirm that the manpower figures in brackets eg 500½ decreasing by 1½ in 1983-84 in B1 (2) (a), reproduce the figures in last years estimates after allowing for changes in the scope of each sector?
- (iv) There have been sharp changes between 1983-84 and 1984-85 in the financial provision under B1 (2), (6) and (7). What is the reason for this?
- (v) Does the Treasury have a Management Plan? If not, why not?
- (vi) What progress has been made with the FMI within the Treasury's own organisation?

- (vii) How was the Treasury's contribution to the overall cut in Civil Service numbers (from 732,000 to 624,000) achieved, in terms of the standard analysis which you employ ie changes in work load, greater efficiency, general stream lining and so on?
- (viii) In the note which you provided about subhead A1 you say "all Civil List payments from 1 January 1984 in respect of the calendar (and Civil List) year 1984 will be made direct from the Consolidated Fund". What effect will this have on the Estimates?
- (ix) The Treasury is making a grant-in-aid to the NEDC of over £6 million (subhead B2). Under this arrangement, what control does the Treasury have over the way in which the money is spent?
- (x) The provision for the Review Board for Government Contracts is quite substantial (subhead B4). What value is attached to its recommendations? Are they invariably accepted? Could Departments manage without the Board?
- (xi) Has consideration been given to privatising the security arrangements (subhead C1) or the rating of property function (subhead C2)?
- (xii) With regard to your appropriations in aid you have explained to us the principles which govern whether a service should be charged out or not. When a service is charged out, on what basis are the charges calculated? How often is the rate of charge reviewed?

Yours sincerely

Tony Larsen

C A LARSEN

Larsen has confirmed to me on the phone that these are the questions the Committee want answered ie, compared to the list I gave you earlier, Larsen has worked out for himself the reasons for differences in the totals ((ii) above), and he does not want to ask about the links between pay and manpower (as Dr King will be glad to see).

Dr. Vozzore
13/6

Memorandum to the Select Committee on Treasury and the Civil Service**Note by the Treasury**

In their examination of the Treasury Estimate (Class XIII.Vote 4) on 13 June the Committee asked a number of detailed points about Treasury staff and the disposition between various parts of the Department. We promised a note in response.

Subsequently the Committee asked further questions about aspects of Class XIII Vote 4, and asked for an early reply. This note is in response to those requests.

(i) How does the new Head of the Government Accountancy Service fit into the organisation chart with which we provided you before the meeting?

3. Mr Wilson has only just been appointed, and does not take up post until 1 October 1984. He will, as we have said, be part of the public expenditure side of the Treasury, under the charge of the Second Permanent Secretary (Public Expenditure). There are certain areas of that work which will report naturally to him, for example, Accounting, Finance and Audit Division and part of the Accounts and Purchasing Group, together with the Government Accounting Service Management Unit currently in the Department of Industry. The precise organisation of his command has yet to be decided. We will let the Committee have a revised organisation chart as soon as it is available.

(ii)-(iv) Manpower numbers and Part-Time Employment

4. It may help the Committee to set out the various staff numbers on which the Estimates were based. They are as follows:-

Class XIII Vote 4	1.4.84	1.4.85
The Central Treasury (Subhead B1)	1317	1313
Treasury Security Guard (Subhead C1)	93	92
Rating of Government Property Department (Subhead C2)	43	43
Chessington Computer Centre (Subhead C3)	431	420
Sub-total	<u>1884</u>	<u>1868</u>
*Lord Lyon King of Arms	4	4
Class XIII Vote 13 (CCTA)	531	526
Class XIII Vote 14 (CISCO)	1375	1133
Grand Total Treasury staff	3794	3531

* The four staff of the Lord Lyon King of Arms are not normally regarded as part of the Treasury manpower control total.

5. The figure of 1884 for this Vote can be broken down between full-time and part-time employees as follows (part-time employees are all counted as $\frac{1}{2}$ by convention):

Central Treasury (Subhead B1)		Full-time	Part-time
Central Sector B1(2)(a)	480	468	24
Pay and Allowances B1(3)(a)	163 $\frac{1}{2}$	161	5
Chief Economic Advisor B1(4)(a)	55	54	2
Overseas Finance B1(5)(a)	82	82	-
Domestic Economy B1(6)(a)	109	109	-
Public services B1(7)(a)	427 $\frac{1}{2}$	427	1
Subtotal	1317	1301	32
RGPD	43	43	-
TSG	93	93	-
CCC	431	407	48
TOTAL	1884	1844	80

6. The manpower figures shown in brackets on the face of the Estimate (eg 500 $\frac{1}{2}$ decreasing by 1 $\frac{1}{2}$ in 1983-84 in B1(2)(a)) reproduce the figures in last year's Estimates. In B1(2)(a) this is done after allowing for changes in the scope of the sector, because the sub divisions used in the previous year no longer applied. Pay and Allowances had not been shown separately, but included in the Central Sector. Common Supporting Services had been shown separately, but seemed better placed with the Central Sector. The other sub divisions used were the same in the two years, and no adjustments were made for reorganisation. The changing numbers reflect the results of reorganisation: specifically the industry groups (namely the Public Enterprise Group and the Industry, Agriculture and Employment Group) were grouped with Public Services. The large changes in numbers in B6 and B7 thus reflect no marked change in staff allocated to the various functions, but rather were a result of the way in which staff are grouped within the Department.

7. These changes were made so as to show better on the face of the Estimate the way in which the Department was organised at each point at which the Estimate was prepared. With hindsight we can see that they do not help comparisons between years. We will consider ways in which this information can be better shown for the whole subhead.

8. The sharp changes in financial provision in B1(6) and B1(7) are the

result of the organisational changes explained above. The large change in financial provision in B1(2) is mainly due to increased provision for computers and office machinery; fees for consultants in connection with the work of the Joint Treasury/MPO Financial Management Unit and the application in the Treasury of new technology; and repayment of COI services previously supplied as an allied service.

9. As regards the specific point about the discrepancy between the estimate of 499 staff at 1.4.84 for the 1983-84 Estimate (ie $500\frac{1}{2}$ decreasing by $1\frac{1}{2}$), and the starting position of 480 staff for the 1984-85 Estimate, the difference is, as explained in evidence, one of timing. Our best estimate, at the time the 1983-84 Estimate was drawn up in December 1982, of the central area staff was indeed a 31.3.84 figure of 499 (making the adjustment for the organisational grouping described above). When in December 1983 we came to draw up the Estimate for 1984-85, we had achieved savings in the central area beyond our original forecast. 480 therefore became our starting point for the new financial year.

v. Does the Treasury have a Management Plan? If not, why not?

The Treasury is a relatively new department in its present form, since the reorganisation of the central departments in December 1981. It therefore does not at present have one overall plan. There are different ways of setting aims and objectives and allocating resources in different parts of the department as a whole.

2. In the more executive operations, the Civil Service Catering Organisation (CISCO) and the Central Computer and Telecommunications Agency (CCTA) are working out the consequences of fundamental reviews. CCTA will develop a corporate plan to meet the decisions to be taken on its strategic role. CISCO is developing its trading plans to meet the new situation it will face as a trading fund. The Chessington Computer Centre is planning the development of its services now that a new generation of equipment has been installed and technical possibilities are changing. A major effort has gone into these areas.

3. For the central policy divisions of the Treasury, the aims and priorities are set out in its policy documents: the Budget, FSBR, Autumn Statement, Public Expenditure White Paper and so on. These are both public and quantified. Within the Department, divisions' responsibilities are clearly set out, and their resources (in particular, manpower) allocated. The work itself involves divisions working together, rather than pursuing independent activities, and is very much a matter of serving Ministers in following the changing emphasis of events. It does not lend itself so readily as an executive operation to the identification of separate quantified objectives.

4. Nevertheless we should be in a position next year to introduce an overall information system for top management so that we can consider once a year the work to be done and priorities in doing it, across the board, along with the allocation of resources.

vi. What progress has been made with the FMI within the Treasury's own organisation?

1. The fundamental reviews of the Central Computer and Telecommunications Agency and Civil Service Catering Organisation have been completed.
2. A new computerised management accounting system became operational on 1 April, on time and within budget. It will give managers at all levels more timely reports of their costs, and in more useful form.
3. We are well advanced with our system for more deliberate annual consideration of work to be done and resources to do it with. We have completed an experimental round of work planning to test Ministers' and top management information requirements and how to cover the range of different work in the Treasury. We are now embarking on a full round of the 'top management system', extended to include allocation of resources and supported by the new accounting system.
4. Responsibilities for control of costs have been overhauled and 'budget rules' for managers have been drawn up. There have been major delegations to Chessington; CCTA and CISCO are being considered in the light of the recent reviews. In the central Treasury there is less scope for delegation, as in all 'headquarters' organisations, but a budgeting system will be in operation by 1 April 1985.
5. In preparation, the key staff have been trained and we have established systems for building training requirements into succession planning for such posts. We have also nearly completed a series of "familiarisation" seminars for all Treasury staff at the level of EO and above.
6. At Chessington budgetary control has been delegated further than previously, from the centre to Chessington, and within Chessington; 38 performance indicators have been established covering each operational and functional area, and performance and budget are reviewed at monthly management meetings.
7. In sum our progress on FMI is well advanced and we are on course to have all planned improvements operational in 1985-86.

vii. How was the Treasury's contribution to the overall cuts in civil service numbers achieved in terms of the standard analysis employed?

We do not have the data on which to analyse reductions in this way for the whole period because of the reorganisation of the central departments in December 1981. For the two full financial years since that reorganisation, the figures for the whole of the Treasury's manpower count are:

Changes in workload (net):	233
Greater efficiency and streamlining:	174
Dropping functions	14
	—
	421

viii. In the note we provided about subhead A1 we say "all Civil List payments from 1 January 1984 in respect of the calendar (and Civil List) year 1984 will be made direct from the Consolidated Fund". What effect will this have on the Estimates?

The position is that the grant to the Royal Trustees is, by statute, paid direct from the Consolidated Fund. Under the provisions of Section I(i) of the Civil List Act 1975, it can be supplemented from time to time by amounts carried on this Vote. Before the most recent Report of the Royal Trustees on 31 December 1983, the grant from the Consolidated Fund was fixed at £1,400,000 (and had been since 1975: in the interim the supplement on the Treasury Vote was as set out in Appendix I of the Royal Trustees Report (attached) and as detailed in successive Appropriation Accounts for the Vote). The Civil List (Increase of Financial Provision) Order 1984 SI 1984 No 39 increased the Consolidated Fund grant to £3,850,000. The statement in our written evidence is merely to say that we do not expect to have to supplement this new level of grant from the Consolidated Fund by voted monies during the calendar year 1984. The provision in this 1984-85 Estimate is for supplementation in the calendar (and Civil List) year 1985. Any necessary supplements in future financial years will be sought in future Estimates. The effect on the Estimate until the next Report of the Royal Trustees is likely to be increases in supplementation, as it was between the two previous Reports. This makes no change in the underlying system.

APPENDIX I
THE QUEEN'S CIVIL LIST, 1975 TO 1983

	1975	1976	1977	1978	1979	1980	1981	1982	Estimate 1983
	£	£	£	£	£	£	£	£	£
Civil List Expenditure	1,408,535	1,614,575	1,895,376	1,935,117	2,281,683	2,900,500	3,260,200	3,545,100	3,676,900
Grant	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Supplement on Vote ...	8,535	214,575	495,376	535,117	881,683	1,500,500	1,860,200	2,145,100	2,276,900

ix. The Treasury is making a grant-in-aid to the NEDC of over £6m (subhead B2). Under this arrangement, what control does the Treasury have over the way in which money is spent?

The conditions under which the Treasury provides and controls the grant-in-aid are set out in a Financial Memorandum, a copy of which is attached for the information of the Committee.

FINANCIAL MEMORANDUM
RELATING TO THE PAYMENT OF A GRANT-IN-AID
TO

THE DIRECTOR GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE

1. The following conditions apply to the payment of a grant-in-aid to the Director General of the National Economic Development Office (NEDO). The purpose of the grant-in-aid is to enable the Director General to carry out his responsibilities for directing and managing the work of NEDO under the general direction of the National Economic Development Council (NEDC).

NEDC

2. The NEDC was set up in 1962, as announced by the then Chancellor of the Exchequer in his Budget statement on 9 April 1962. In that Statement the tasks of the NEDC were defined as:-

- (i) to examine the economic performance of the nation with particular concern for plans for the future in both the private and the public sectors of industry;
- (ii) to consider together what are the obstacles to quicker growth, what can be done to improve efficiency, and whether the best use is being made of our resources;
- (iii) to seek agreement upon ways of improving economic performance, competitive power and efficiency, in other words to increase the rate of sound growth.

3. The NEDC consists of up to six Ministers, six representatives of the TUC; six representatives of the CBI, two representatives of the nationalised industries, various independents, and the Director General. Appointment to the NEDC is by invitation of the Chancellor of the Exchequer. The composition of the NEDC may be changed at his discretion.

NEDO

4. NEDO acts as an independent body under the direction of, and responsible to, the NEDC. It was set up in 1962 at the same time as the NEDC. Its objectives are:

- (i) to provide administrative and other support for the work of the NEDC and committees set up by Council;
- (ii) to carry out research into and analysis of industrial, economic and manpower questions as a basis for the work of the Council and its committees;

- (iii) to give independent advice on ways of improving the economic performance, competitive power and efficiency of the nation;
- (iv) to communicate with employers, trade unions and others concerned with a view to stimulating new ideas and practical action.

The Director General

5. The Director General of NEDO is appointed by the Chancellor of the Exchequer in consultation with the Confederation of British Industry and the Trades Union Congress. He is a member of NEDC and participates in its discussions. If for any reason the Director General is unable to carry out his duties, the Chancellor of the Exchequer may appoint another member of NEDO to deputise for him. It is a condition of the grant-in-aid that in such circumstances the person so appointed by the Chancellor of the Exchequer will be subject to all the terms and conditions applicable to the grant-in-aid.

6. The Director General shall use the grant-in-aid only to defray the expenses of the NEDC and NEDO incurred in pursuance of their tasks and objectives.

Staff

7. The Director General may appoint staff to NEDO on behalf of the Council subject to the approval of the Treasury as to numbers employed. Except where he has authority from the Treasury, he should follow the Civil Service model as to remuneration, allowances and other main terms and conditions of service. He shall also consult the Treasury on all appointments at Director level. The Director General shall furnish to the Treasury a return of staff by grade at quarterly intervals each year (at 31 March, 30 June, 30 September and 31 December).

8. The Director General and the staff of NEDO are members of the Principal Civil Service Pension Scheme (PCSPS). In respect of this superannuation cover the Director General shall pay to the Government an annual contribution on an accruing liability basis, the amount to be notified by the Government from time to time.

9. Where the chairmen and members of the Council or its Committees are not eligible for injury compensation under any other arrangements, the Director General shall provide for the payment of benefits by analogy with Part 2 of section 11 of the PCSPS, the amount to be determined by the Treasury.

Estimates

The Director General shall submit by 10 November each year estimates of expenditure for the forthcoming financial year under the headings set out in the Annex, together with full supporting explanatory information. The estimate shall be accompanied by a forecast outturn for the current financial year on the same basis.

11. Subject to the general approval of the Treasury to the estimates, to be conveyed in writing, the Director General may, without further reference to the Treasury, incur the expenditure planned, subject to any restrictions imposed by this Financial Memorandum.

12. Without further reference to the Treasury, expenditure on items 1 and 2 in the Annex may, in any financial year, exceed the estimate by 3 per cent; on item 3 (being a contribution to the separate account for commissioned research projects) by 10 per cent; and on item 4 by 5 per cent, provided that such excesses can be found from savings on other items in the estimates or the balance in hand carried forward from the previous year or receipts in excess of the level shown in the estimate.

Payment of Grant

13. Payment of grant up to the maximum authorised for the year on the basis of the approved estimate will be made in monthly instalments according to need. Grant not issued by the Treasury at the end of the financial year shall lapse.

14. Requests for payment shall be made by the Director General based on an estimate of the amount expected to be required in the forthcoming month, after taking into account any expected receipts and a reasonable working balance. Requests for payment shall be accompanied by a statement of expenditure to date against the grant-in-aid and of the balance of cash in hand. In calculating expected receipts and the cash balance no account will be taken of pre-payments from other bodies contributing to commissioned research projects.

Accounts

15. The Director General shall maintain proper books, accounts and records for the discharge of responsibilities relating to the receipt and expenditure of the grant-in-aid and other monies or assets. The Director General shall permit the Comptroller and Auditor General or any person nominated by the Treasury to inspect such books, accounts and records at any reasonable time.

16. The Director General shall maintain appropriate arrangements for effective internal audit including safeguards against fraud, and operate a financial management system to the

satisfaction of the Treasury. Under the terms of the MPO publication "Non-Departmental Public Bodies: A Guide for Departments" the Treasury is required to review the Director General's financial control procedures every three years. In conducting these reviews the Treasury will take account of the Guide and the development outlined and foreseen in "Efficiency and Effectiveness in the Civil Service" (Cmnd 8616).

17. The Director General shall prepare and sign a statement of accounts in respect of each financial year, to run from 1 April to 31 March. The statement shall comply with any direction given by the Treasury as to the information it is to contain, the manner in which it is to be presented, and the methods and principles according to which the statement is to be prepared.

18. The Director General shall submit the statement of accounts to the Comptroller and Auditor General by 31 August each year for audit and certification. The Comptroller and Auditor General shall submit to the Treasury a copy of the audited accounts together with any report which he may make.

Finance - General

19. The Director General shall -

- (i) comply with any relevant recommendation made by the Public Accounts Committee or other Parliamentary authority which is accepted by the Treasury, and with such administrative and financial practices applicable to expenditure of public funds as the Treasury requires;
- (ii) be associated with the Accounting Officer of the relevant Treasury vote on matters relating to the grant-in-aid arising before the Public Accounts Committee;
- (iii) bank only with the Paymaster General. Payments by the Treasury of the grant-in-aid, together with all other receipts from whatever source, will be paid into a cash account entitled "The Account of the Director General of NEDO" held at the Paymaster General's office. Any unused balance on the account at the end of the financial year (after deducting the sums held at that time in respect of pre-payments from other bodies contributing to commissioned research) which exceeds 3 per cent of the grant-in-aid authorised, shall be surrendered to the Treasury. Expenditure from the account can be authorised only by the Director General and such other named members of NEDO as the Treasury may agree. At all times, there shall be at least one person other than the Director General so appointed;

- (iv) not borrow or raise money or charge any asset or security without the consent of the Treasury;
- (v) not, without the agreement of the Treasury, write off losses, make ex-gratia and extra-contractual payments, and abandon monetary claims in excess of £1,000. The Director General shall keep a record of all losses of cash, equipment and stores and shall forthwith report to the Treasury any such individual loss that exceeds £1,000;
- (vi) ensure, wherever appropriate, that fees or charges made for facilities and services shall be sufficient to cover the full costs of providing such facilities and services including administrative, repair and maintenance costs;
- (vii) ensure that disposals of surplus stock or equipment shall be at market value unless the Treasury agree that this is inappropriate for a particular area of operations or set of circumstances;
- (viii) consult the Treasury if it is proposed to dispose of an asset exceeding £10,000 in value and which had been purchased wholly or mainly from public funds;
- (ix) not undertake any insurance without prior approval of the Treasury other than third party insurance required by the Road Traffic Acts, and any other insurance which is a statutory or unavoidable contractual obligation;
- (x) except with Treasury approval, not issue guarantees, indemnities etc or otherwise acquire contingent liabilities;
- (xi) not incur expenditure on a new service or any additional commitment involving a significant addition to expenditure in future years without the prior consent of the Treasury.

Contracts

20. In the course of his duties, the Director General may enter into contracts and give authority to members of the NEDO staff to sign such contracts on his behalf.
21. Whenever reasonably practicable, contracts for work and services etc must be placed on a competitive basis and awarded in accordance with the Treasury guidelines on public purchasing.

Commissioned research projects

22. Treasury approval will be required for expenditure on commissioned research projects exceeding such delegated authority as may be in force. In regard to commissioned research projects, the Director General shall keep a separate account in his books to record

payments from other bodies towards the cost of these projects pending the settlement of supplier invoices. Except by specific direction of the Treasury balances held in that account at any time will be excluded from the assessment of the level of the annual grant-in-aid and, as indicated in paragraphs 14 and 19(iii) above, in calculating the level of monthly tranches and end of year retentions. All accounts, transactions and balances relating to commissioned research will form part of the Director General's annual statement of accounts and will be audited as such.

HM TREASURY

January 1984

DIRECTOR GENERAL OF THE NATIONAL ECONOMIC DEVELOPMENT OFFICE
 FORECAST OUTTURN CURRENT YEAR: ESTIMATE NEXT YEAR

	1983-84 Forecast Outturn	1984-85 Estimate
1. Salaries		
2. Superannuation Contributions		
3. Research ^a		
4. General Administrative Expenses:		
Agency Staff		
Communications)		
NEDO Conferences)		
Accommodation charges		
Other		
5. Total expenditure		
6. Less: receipts ^b		
7. Net expenditure		
8. Less: balance brought forward		
9. Plus: balance carried forward		
10. Grant in aid		

Notes

- (a) This is NEDO's own contribution to commissioned research projects.
- (b) These receipts exclude contributions from other bodies in respect of commissioned research projects.

x. What value is attached to the recommendations of the Review Board for Government Contracts; are its recommendations invariably accepted and could departments manage without the Board?

The profit formula arrangements were established in 1968 as a consequence of cases earlier in the '60s in which certain contractors seriously over-charged the government. They have provided a central framework to facilitate the pricing of non-competitive contracts placed by government departments, principally the Ministry of Defence. As a result, determining the profit rate to be paid on individual contracts has been a relatively simple task, and departmental administration costs have been minimised. Departments have also benefitted from the right to have equality of information up to the time of price fixing and to post-cost selected contracts.

2. As regards acceptance of the Board's recommendations, a good deal of its work is concerned with review of the operation of the profit formula and this results in a report which is then discussed between the CBI and Government. Its recommendations have been broadly accepted by both parties in the past. The Board also determines any price adjustment which may be appropriate on particular contracts following complaint by either side. Since 1968 there have only been 7 cases referred to the Board for this type of contribution.

3. Without a central framework, individual departments would themselves have either to develop and operate a system for determining the profit rates they were prepared to allow contractors across the board, or to negotiate separately a profit addition on each non-competitive contract placed. Under these conditions, it is likely that total administrative costs would be greater than at present, contract negotiation slower and the result achieved variable.

4. In short the work of the Board and the body of methodology the Board has helped to create have greatly narrowed the area for negotiation between government and the representatives of the contractors. In an area of procurement in which there is no competition to help establish a fair and reasonable price, this is a very useful contribution towards achieving value for the very large amount of money spent on non-competitive contracts, which is well over £4bn a year.

xi. Has consideration been given to privatising the security arrangements (Subhead C1) or the rating of property function (Subhead C2)?

Consideration has been given to privatising the security arrangements covered by Subhead C1. But it has been ruled out by the advice of the security authorities about the security requirements of the work concerned.

2. Privatisation of the functions of the Rating of Government Property Department has not been specifically considered, since these functions were not covered by the Dalton Report on Government Valuation Services of 1983. But the arguments which led that report to conclude against privatisation seem likely to apply.

xii. On what basis are changes for services calculated and how often is the rate of charge reviewed?

Charges are set with a view to recovering relevant costs in full. This includes all direct costs, appropriate overheads and certain notional costs including depreciation and interest on capital. A checklist of Specific Items of Cost to be included is attached. Charges are reviewed at least annually.

Type	Examples
(a) Current expenditure borne on the department's vote:	
(i) Staff costs	salaries and wages (including overtime, sick pay and holiday pay), employers' national insurance contributions.
(ii) Personnel overheads	travel and subsistence.
(iii) Materials and stores	raw materials, consumable stores, purchases for stock.
(iv) Accommodation	accommodation charges under the PRS system, maintenance, furniture and fittings, fuel and utilities.
(v) Office services	postage, telecommunications, printing, maintenance of office machinery, transport (running and maintenance) costs, cleaning, custody guards.
(vi) Common services	share of typing, reprographic, registry and messengerial services.
(vii) General services	share of finance, accounting, establishments, security, legal and fire services.
(viii) Others	development costs, amortised training, work in progress.
(ix) Sub-contracted items	
(b) Expenditure not borne on the department's vote:	
(i) Staff costs	accruing superannuation liabilities.
(ii) Other services	legal services provided by the Treasury Solicitor, services of the Paymaster General's office, advice or administration from other departments, market rentals not covered by (a).

(c) Capital expenditure borne on the department's vote:

(i) Land

(ii) Accommodation land and buildings (eg specialist buildings where owned not rented).

(iii) Equipment vehicles, office machinery, computers, other plant and machinery.

(iv) Disposal of fixed assets

(d) Notional costs:

(i) Interest on capital
(and indexation of
monetary working
capital).

(ii) Provision for insurance

(iii) Provision for bad debts.

(e) Value added tax.

**ECONOMIC AND FINANCIAL ADMINISTRATION
(HM TREASURY)**

I **£43,465,000**

Amount required in the year ending 31 March 1985 for expenditure by the Treasury on the management of the economy, and for certain other services including grants in aid to certain parliamentary bodies and others.

The Treasury will account for this vote.

	£
Net total	43,465,000
Allocated in Vote on Account (HC 98)	19,323,000
Balance to complete	24,142,000

II **SUMMARY AND SUBHEAD DETAIL**

1982-83	1983-84	SUMMARY	1984-85		
Outturn £'000	Total provision £'000		Gross provision £'000	Appropriations in aid £'000	Net provision £'000
		PROGRAMME 13.1 PARLIAMENT AND PRIVY COUNCIL			
3,855	3,999	Section A: Grants in aid to the civil list and to parliamentary bodies	1,131	—	1,131
		PROGRAMME 13.2 ECONOMIC AND FINANCIAL ADMINISTRATION			
23,842	32,988	Section B: Management of the economy	36,296	409	35,887
		PROGRAMME 13.6 OTHER SERVICES			
9,476	8,009	Section C: Other services	8,524	2,077	6,447
37,173	44,996		45,951	2,486	43,465
		<i>Deduct:</i>			
1,755	2,055	Total appropriations in aid	2,486		
35,418	42,941		43,465		
	Forecast outturn £'000 42,100				

1982-83	1983-84	SUBHEAD DETAIL	1984-85
Outturn £'000	Total provision £'000		Provision £'000
		Section A: GRANTS IN AID TO THE CIVIL LIST AND TO PARLIAMENTARY BODIES	
2,926	3,133	A1 Royal Trustees: grant in aid	100
		Payments under section 1 (i) of the Civil List Act 1975 in supplementation of payments direct from the Consolidated Fund for the Civil List, annuities and other payments to members of the Royal Family and Civil List pensions under the Civil List Acts. The total Civil List payment is subject to control on a calendar year basis. Expenditure will be audited by the Auditor of the Civil List and any unexpended balance of the sums issued will not be liable to surrender to the Consolidated Fund	
929	866	A2 Parliamentary bodies: grants in aid	1,031
		(1)-(3) are organisations which foster understanding between Members of Parliament and elected representatives in other countries. Payments are for the administrative costs of the UK branches. (4) meets the costs of writing a biographical history of the British Parliament from medieval to Victorian times	
	331	(1) Commonwealth Parliamentary Association‡	359
	22	(2) British-American Parliamentary Group‡	23
	283	(3) Inter-Parliamentary Union‡	309
	230	(4) History of Parliament Trust*	340
	3,999		Total 1,131

1982-83	1983-84	SUBHEAD DETAIL— <i>continued</i>		1984-85
Outturn £'000	Total provision £'000			Provision £'000
Section B: MANAGEMENT OF THE ECONOMY				
19,492	27,214	B1 Treasury administration		29,461
		Salaries, etc of 27 Ministers and office holders (see table 2) and 1,317 staff at 1 April 1984 decreasing to 1,313 by 31 March 1985 (1,328½ decreasing by 9½ in 1983-84)		
	551	(1) Salaries, etc of 27 Ministers and office holders (see table 2)		538
	8,200	(2) Central sector	478½	9,447
		(a) Salaries, etc of 480 staff at 1 April 1984 decreasing to 487½ at 31 March 1985 (500½ decreasing by 1½ in 1983-84)	4,630	
		(b) General expenses	4,256	
		(c) Capital expenditure	561	
	2,984	(3) Pay and Allowances sector		3,158
		(a) Salaries, etc of 163½ staff at 1 April 1984 decreasing to 162 at 31 March 1985 (163 decreasing by 1 in 1983-84)	1,903	
		(b) General expenses	1,211	
		(c) Capital expenditure	44	
	1,590	(4) Chief Economic Adviser's sector		1,822
		(a) Salaries, etc of 55 staff throughout 1984-85 (54 throughout 1983-84)	929	
		(b) General expenses	500	
		(c) Economic research commissioned from non-governmental bodies	385	
		(d) Capital expenditure	8	
	2,032	(5) Overseas Finance sector		2,065
		(a) Salaries, etc of 82 staff throughout 1984-85 (84 decreasing by 2 in 1983-84)	1,317	
		(b) General expenses	721	
		(c) Capital expenditure	27	
	3,957	(6) Domestic Economy sector		2,334
		(a) Salaries, etc of 109 staff at 1 April 1984 decreasing to 108 at 31 March 1985 (189 decreasing by 1 in 1983-84)	1,479	
		(b) General expenses	819	
		(c) Capital expenditure	36	
	7,900	(7) Public Services sector		10,097
		(a) Salaries, etc of 427½ staff at 1 April 1984 throughout 1984-85 (338 decreasing by 4 in 1983-84)	6,124	
		(b) General expenses	3,836	
		(c) Capital expenditure	137	
4,165	5,583	B2 National Economic Development Council; grant-in-aid*		6,576
		Grant to meet the running costs of the National Economic Development Office which provides administrative support to the Council and its committees and provides independent advice on ways of improving economic and industrial performance. Table 3 shows the expected use of the grant-in-aid. Provision for this subhead is sought under the sole authority of part I of the Estimate and of the confirming Appropriation Act.		
2	3	B3 Banking: costs of appeals		4
		Fees and expenses of the members of independent tribunals appointed to hear appeals by institutions against decisions of the Bank of England to refuse or revoke licences to take deposits		
127	178	B4 Review Board for Government Contracts		240
		Fees and expenses of the chairman, board members and secretaries of the Board which periodically reviews the operations of the profit formula used in pricing non-competitive government contracts and adjudicates on disputes concerning the prices negotiated		
6	10	B5 Public Sector Pay Review Bodies		15
		General expenses of members of five independent pay review bodies which advise on public sector pay covering the higher judiciary, top civil servants, the Armed Forces and the remuneration of doctors, dentists, pharmacists, nurses and other NHS professions		
	3	(1) Top salaries review body		2
	4	(2) Armed forces pay review body		5
	2	(3) Doctors and dentists pay review body		2
	1	(4) Pharmacists review panel		2
	—	(5) Review body for nurses and other NHS professions		4
50	—	<i>Committee of Enquiry into Non-industrial Civil Service Pay</i>		—
	32,988		Gross total	36,296
439	275	BZ Appropriations in aid		409
		Receipts are mainly in respect of charges for staff inspection courses, and officers loaned to other organisations, including the salary of the UK Executive Director of the International Monetary Fund/International Bank for Research and Development who is a Treasury Under Secretary. It also includes income from publications and air fares recovered from the European Community		
	32,713		Net total	35,887

1982-83	1983-84	SUBHEAD DETAIL— <i>continued</i>	1984-85
Outturn £'000	Total provision £'000		Provision £'000
Section C: OTHER SERVICES			
896	970	C1 Treasury security guard Physical security protection for Treasury buildings and, on a repayment basis, for the Cabinet Office and Chequers	927
	966	(1) Salaries, etc of 93 staff at 1 April 1984 decreasing to 92 at 31 March 1985 (105 decreasing by 4 in 1983-84)	917
	4	(2) General expenses	10
527	717	C2 Rating of Government Property Department Administrative costs of surveying and valuing Crown occupied property in the United Kingdom paying contributions in lieu of rates in certain cases and paying rates of buildings occupied by the diplomatic missions of other countries (payments are in class XIV, 5). Staff at 1 April 1985 comprises 10 valuers and 33 administrative staff	754
	471	(1) Salaries, etc of 43 staff throughout 1984-85 (43 decreasing by 1 in 1983-84)	490
	246	(2) General expenses	264
4,068	4,873	C3 Chessington computer centre Payroll superannuation and personnel records service for the Treasury and for some 70 other departments, and a computerised accounting system for use by central departments	5,363
	3,381	(1) Salaries, etc of 431 staff at 1 April 1984 decreasing to 420 at 31 March 1985 (455½ decreasing by 62½ in 1983-84)	3,550
	1,492	(2) General expenses	1,813
3,173	580	C4 Computer expenditure (Chessington computer centre) Capital expenditure on the computer at Chessington and associated software and maintenance costs	527
	191	(1) Capital	200
	389	(2) Current	327
55	74	C5 Office of the Lord Lyon The Lord Lyon King of Arms is a permanent Officer of State of Scotland and deals with armorial and ceremonial matters in Scotland. His duties are both ministerial and judicial. The Lyon Office is also the Chancery of the Order of the Thistle and the Lord Lyon is Secretary of the Order	74
	46	(1) Salaries, etc of 4 staff throughout 1984-85 (4 throughout 1983-84)	45
	28	(2) General expenses	29
608	651	C6 Honours and dignities Administration of the majority of honours and dignities is the responsibility of the Central Chancery of the Orders of Knighthood. This subhead reimburses the Chancery for the cost of salaries, insignia, etc. It also meets the cost of the Queen's Awards to Industry emblems	696
145	144	C7 Chequers Trust: grant in aid‡ Supplementary payment to meet the deficiency between income from the Chequers Trust and the total maintenance costs of Chequers. The grant currently accounts for 73 per cent of total costs	183
4	—	<i>Payments in respect of the transfer of shares in the Cable & Wireless Public Limited Company</i>	—
	8,009	Gross total	8,524
1,316	1,780	<i>Deduct:</i> CZ Appropriations in aid	2,077
	413	(1) Recovery of door-keeping expenses in respect of the Treasury Security guard's manning of Cabinet Office and Chequers (subhead C1)	428
	495	(2) Recovery of the Rating of Government Property Department's administrative costs from non-Exchequer bodies and government departments (subhead C2)	516
	811	(3) Charges to non-Exchequer bodies for services provided by Chessington Computer Centre (subhead C3)	1,041
	61	(4) Other miscellaneous receipts	92
	6,229	Net total	6,447
III EXTRA RECEIPTS PAYABLE TO THE CONSOLIDATED FUND			
1982-83	1983-84		1984-85
£'000	£'000		£'000
166	—	In addition to appropriations in aid there are the following estimated receipts:	—

ANALYSIS OF THE VOTE BY PROGRAMME AND TYPE OF EXPENDITURE: 1984-85

Programme	Nature of expenditure				Total
	Public expenditure			Other	
	Current	Capital	Total		
£'000	£'000	£'000	£'000	£'000	
13.1 Parliament and Privy Council	1,131	—	1,131	—	1,131
13.2 Economic Financial Administration	34,999	888	35,887	—	35,887
13.6 Other services	6,197	250	6,447	—	6,447
Total	42,327	1,138	43,465	—	43,465

Table 1: Services in support of other programmes

Programme	Expenditure (£ million)
2 Overseas services	0.3
3 Agriculture, fisheries, food and forestry	0.6
4 Industry, energy, trade and employment	1.0
9 Law, order and protective services	0.6
10 Education and science, arts and libraries	0.4
13 Other public services	1.8
14 Common services	0.1
16 Wales	0.1
	4.9

Table 2: Ministers and office holders carried on subhead B1(1)

Prime Minister
 Chancellor of the Exchequer
 Chief Secretary
 Financial Secretary to the Treasury
 Economic Secretary to the Treasury
 Minister of State (Treasury)
 Parliamentary Secretary to the Treasury
 5 Lords Commissioners
 5 Assistant Government Whips
 Treasurer of HM Household
 Comptroller of HM Household
 Vice-Chamberlain of HM Household
 Captain of the Honourable Corps of Gentlemen-at-Arms
 Captain of the Queen's Bodyguard of the Yeomen of the Guard
 5 Lords in Waiting

Table 3: Expected use of the grant in aid to the National Economic Development Council (subhead B2)

1982-83	1983-84		1984-85
£'000	£'000		£'000
2,633	2,708	(1) Salaries and superannuation	3,500
114	113	(2) Payments to agencies	90
241	229	(3) Research	275
1,177	2,533	(4) General expenses	2,726
4,165	5,583		Gross total 6,591
—	—	<i>Deduct:</i>	
		Receipts	15
4,165	5,583		Net total 6,576

(i) Can you let us have an explanatory note about Subhead A1. What is this money provided for? We notice that the provision in 1983-84 amounted to over £3m

Section 1(1) of the Civil List Act 1975 (copy attached) provides for the Treasury to make payments to the Royal Trustees* in supplementation of sums payable under Section 6(1) of the Civil List Act 1972 (copy attached). Such supplementary payments are made following periodical Reports by the Royal Trustees under the provisions of Section 5 of the Civil List Act 1972 (as amended by the Civil List Act 1975); under these provisions the periodical Reports are made to the Treasury who are required to lay the Reports before Parliament. The most recent such report was made by the Royal Trustees on 31 December 1983 and laid before Parliament as H.C. 183 of 16 January 1984 (copy attached). The recommendations of the Royal Trustees in the Report were given statutory effect by the Civil List (Increase of Financial Provision) Order 1984, S.I. 1984 No 39 (copy attached).

Under the provisions of the Civil List Acts Civil List expenditure is defined and accounted for in calendar years. The supplementation paid to the Royal Trustees from the Treasury Administration Vote Class XIII, Vote 4 thus includes provision in respect of part of two calendar years.

The provision on Subhead A1 of £3,133,000 (reduced to £3,087,000 for the reduction in the National Insurance surcharge and the 7 July measures) for 1983-84 represented provision for supplementation in the last nine months of calendar (and Civil List) year 1983 and for the first three months of calendar year 1984.

Following the Royal Trustees Report of 31 December 1983 and the provision of S.I 1984 No. 39 only £2,159,000 was issued from the Vote in the year 1983-84; all Civil List payments from 1 January 1984 in respect of the calendar (and Civil List) year 1984 will be made direct from the Consolidated Fund. The provision in 1984-85 of £100,000 represents provision for grants by way of supplementation for the first quarter of calendar year 1985.

*Section 10 of the Civil List Act 1952 (copy attached) constitutes the Prime Minister, the Chancellor of the Exchequer and the Keeper of the Privy Purse as the Royal Trustees.

TSC
Q.A

(ii) Subhead B1(2) refers to salaries of 480 staff at 1.4.84 decreasing to 487½ at 31.3.85. Which figure is correct?

The staff numbers in the Central Sector will reduce to 478½ at 31 March 1985 and not 487½ as printed in the Estimate. This printing error will be corrected in the Revised Estimate which is required to take account of the abolition of the National Insurance Surcharge.

(iii) Subhead B1. Can you tell us in general terms how the Treasury is organised? We should like to know what is meant by the "central" sector, the "pay and allowances" sector and so on

1. The Treasury comprises a central organisation responsible for assisting Ministers with the formulation and conduct of economic policy and the control of public expenditure; the Central Computer and Telecommunications Agency; the Civil Service Catering Organisation; the Chessington Computer Centre; and the Rating of Government Property Department. Subhead B1 covers only the central Treasury (excepting the overall policy and management responsibilities of Ministers and senior management for the other areas).

2. The work of the sectors itemised under Subhead B1 is described in the succeeding paragraphs. Three Sectors - namely the Chief Economic Adviser's, Overseas Finance and Public Services - are each headed by a Second Permanent Secretary. Commands in the remaining sectors generally report direct to the Permanent Secretary. An up-to-date organisation chart showing reporting lines is attached at Annex A.

3. The Central Sector (Subhead B1(2)), encompasses three distinct areas of work:

- (i) The Establishments and Organisation Group is responsible for the management of the department and its staff, covering personnel management, training, pay and conditions, management services, and finance and the provision of common supporting services including messengers, typing pools, library, reproduction facilities and accommodation. It is headed by the Principal Establishment and Finance Officer who reports direct to the Permanent Secretary.
- (ii) The Information Division handles the Treasury's contacts with the media and produces the monthly Economic Progress Report.
- (iii) Central Unit undertakes within the Treasury general co-ordination of policy advice, and of the preparation of Budgets and other major policy statements. The unit includes the Treasury's Economic Briefing Division.

The subhead also includes the staff in the private offices of Treasury Ministers and the Permanent Secretary.

4. The Pay and Allowances Sector (Subhead B1(3)), now known as Pay, deals with the civil service pay, pensions and allowance system for industrial and non-industrial staff, as well as with such matters as the pay of the judiciary, Ministers, MPs and the

TSRB groups. It also provides advice and briefing on pay matters generally. It is headed by a Deputy Secretary.

5. The Chief Economic Adviser's Sector (Subhead B1(4)) is primarily staffed by professional economists and statisticians who provide economic analysis and policy advice for Ministers. They are also responsible for the Treasury's major forecasting exercises connected with the Budget and the Public Expenditure White Paper and with the publication of the Industry Act forecasts.

6. The Overseas Finance Sector (Subhead B1(5)) advises Ministers on world economic developments, international financial questions and relations between the UK and other countries, including the European Community. The sector's work also covers the management of the UK's foreign exchange reserves and external debt. (As shown on the organisation chart, at Deputy Secretary level responsibility for exchange rate management is brought together with responsibility for fiscal and monetary policy.)

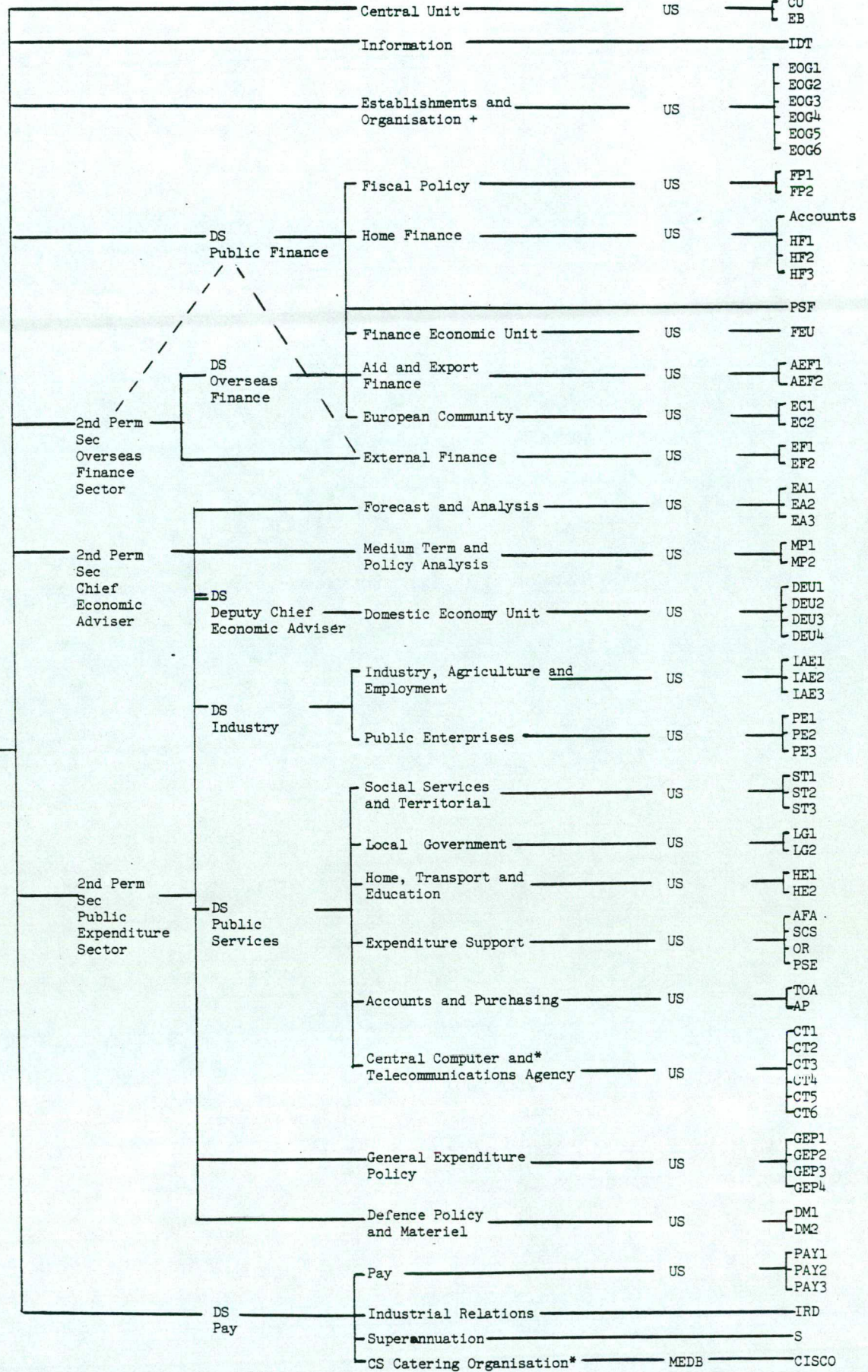
7. The Domestic Economy Sector (Subhead B1(6)) includes provision for the Public Finance command, headed by a Deputy Secretary and concerned chiefly with monetary and fiscal policy, and the Domestic Economy Unit, which provides economic and accounting advice on industrial and taxation matters.

8. The Public Services Sector (Subhead B1(7)), now known as the Public Expenditure Sector, co-ordinates the planning and control of public expenditure and has direct responsibility for Treasury control of most of the main public expenditure programmes. It includes the specialist advisers working in support of administrative staff responsible for the control of individual expenditure programmes. Policy on industry (including agriculture, energy policy and the financing and investment programmes of nationalised industries) is the responsibility of a Deputy Secretary within the sector.

9. Within the broad functional commands described above, staff in operational areas are brigaded into Under Secretary Groups or, in cases where the Under Secretary tier is not considered necessary, Divisions headed by an Assistant Secretary. The typical Treasury Group comprises two or three Divisions each containing 2-4 Principals (or specialist equivalents) or SEOs supported by a small number of executive and clerical staff. An outline description of the responsibilities of Under Secretary Groups (or, where appropriate, Assistant Secretary Divisions) is at Annex B.

Chancellor of the Exchequer
 Chief Secretary
 Financial Secretary
 Minister of State
 Economic Secretary

Permanent Secretary



+includes common supporting services staff

*not included in Central Treasury Vote

---- reporting line on exchange rate management

UNDER/ASSISTANT SECRETARY COMMANDS: DESCRIPTION OF BUSINESS

Central Unit (CU - Under Secretary): general co-ordination of policy advice and of Budgets and other sets of policy measures; economic briefing.

Information Division (IDT - Assistant Secretary): full range of Treasury's contacts with the media; Economic Progress Report.

Establishments and Organisation Group (EOG - Under Secretary): central management of staff and other resources, covering personnel management, training, pay and conditions, management services, finance, and the provision of common supporting services.

Fiscal Policy Group (FP - Under Secretary): general policy on direct and indirect taxation; control of manpower and related expenditure in Inland Revenue and Customs and Excise.

Home Finance Group (HF - Under Secretary): domestic financial and monetary policy; government policy towards financial institutions; management of central government's receipts and payments.

Public Sector Finance Division (PSF - Assistant Secretary): responsible for co-ordinating and developing work on monetary and forecasting public sector finances; central source in the Treasury for all figures and briefs on the PSBR.

Finance Economic Unit (FEU - Under Secretary): economic advice to divisions in Overseas Finance Sector; research and advice on domestic financial and monetary issues.

Aid and Export Finance Group (AEF - Under Secretary): general policy on overseas aid and control of manpower in Overseas Development Administration; trade and export finance policies; relations with World Bank and regional development banks; international aid and energy matters.

European Community Group (EC - Under Secretary): financial and economic aspects of UK's membership of European Community including the EC budget and control of the UK contribution to it.

External Finance Group (EF - Under Secretary): policy matters relating to exchange rate, reserve management and balance of payments; briefing and forecasting on the world economy; economic assessment of major developed economies; UK relations with IMF, OECD and other international bodies. On exchange rate management the Group reports to the Deputy Secretary, Public Finance.

Forecast and Analysis Group (EA - Under Secretary): domestic forecasting and analysis; monetary and balance of payments forecasting and analysis; economic modelling.

Medium Term and Policy Analysis Group (MP - Under Secretary): macroeconomic policy analysis, supply side analysis.

Domestic Economy Unit (DEU - Under Secretary): economic and accounting advice on industry and taxation.

Industry Agriculture and Employment Group (IAE - Under Secretary): control of expenditure by Ministry of Agriculture, Fisheries and Food, and its Scottish and Welsh counterparts; control of expenditure relating to employment; control of expenditure by Department of Industry; industrial and agricultural issues and finance; general briefing on price matters.

Public Enterprises Group (PE - Under Secretary): policy towards the nationalised industries; domestic energy and transport issues.

Social Services and Territory Group (ST - Under Secretary): policy on social security benefits; expenditure by Department of Health and Social Security; control of public expenditure in Northern Ireland, Wales and Scotland.

Local Government Group (LG - Under Secretary): policy on local authority expenditure; water industry finance; control of expenditure in Department of Environment and Property Services Agency; housing policy and expenditure; civil accommodation services; expenditure on historic buildings, royal palaces and parks; control of expenditure in Ordnance Survey, HMSO, Treasury and various other small departments.

Home, Transport and Education Group (HE - Under Secretary): expenditure on road programmes; control of Home Office expenditure; expenditure on administration of justice programmes; expenditure on education and science, libraries and church bodies.

Expenditure Support Group (ESG - Under Secretary): operational research advice to Treasury divisions; economic advice to public expenditure divisions; accountancy, finance and audit advice to government departments and Treasury divisions; statistical and computing services.

Accounts and Purchasing Group (AP - Under Secretary): Treasury Officer of Accounts; relations with Public Accounts Committee and Exchequer and Audit Department; government accounting arrangements; advice to Treasury divisions on range of financial and accountancy matters; general questions on public purchasing policy.

General Expenditure Policy Group (GEP - Under Secretary): general policy on, and analysis of, public expenditure planning; co-ordination of survey reports, White Paper and major statements on public expenditure; advice on cash limits; monitoring public sector income, expenditure and borrowing requirements; general policy on control of civil service manpower; staff inspections and evaluation in the civil service departments.

Defence, Policy and Materiel Group (DM - Under Secretary): control of expenditure by Ministry of Defence, defence policy and procurement issues.

Pay (Under Secretary): all matters relating to pay of non-industrial and industrial civil service grades; pay of fringe bodies; advice and briefing on pay matters generally.

Industrial Relations Division (IRD - Assistant Secretary): Civil Service industrial relations.

Superannuation Division (S - Assistant Secretary): formulation and administration of superannuation policy within the civil service; policy on other public sector bodies.

(iv) Again with regard to Subhead B1, what is meant by "general expenses" and by "capital expenditure"? Are these services provided by other parts of Government, like the PSA, on a repayment basis?

"General expenses" are the current non-pay costs of administration. They include accommodation expenses, telephone charges, fees to consultants, the hire and maintenance costs of computer equipment and office machinery, travel and subsistence expenses, etc.

"Capital expenditure" covers purchases of computer equipment, office machinery items and furniture and fittings.

Some of these services are provided by other Government departments on a repayment basis - eg accommodation services by the Property Services Agency, stationery and office equipment by Her Majesty's Stationery Office, selected training courses by the Civil Service College.

(v) Will you please give a broad break-down by grade of the staff employed in the various parts of your organisation?

The attached tables provide the grade break-down requested. Data is provided in respect of the figures used in support of the cash provision sought as at 1 April 1984 and 1 April 1985.

Staff employed in the Central Computers and Telecommunications Agency and the Civil Service Catering Organisation are provided for on Class XII, Votes 13 and 14 respectively.

ECONOMIC AND FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII VOTE 4
 BREAKDOWN BY GRADE OF STAFF INCLUDED IN CIVIL SERVICE MANPOWER COUNT AT 1 APRIL 1984

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
1st Permanent Secretary	1						1				1
2nd Permanent Secretary			1		1	1	3				3
Deputy Secretary	1	1	1	1	1	1	6				6
Under Secretary	2	1	3	4	2	11½	23½				23½
Assistant Secretary	5	5	3	8	10	23½	54½				54½
Senior Principal	3	2	1	1		8½	15½			1	16½
Principal	11	19		13	9	62	114	1		4	119
Senior Executive Officer	16	14		2	3	47	82	1		13	96
Higher Executive Officer	27	24	2	11	7	48	119	1		44	164
Administration Trainee				1	2	4	7				7
Executive Officer	50½	39	3	15	9	48	164½	7		93	264½
Clerical Officer	112	32	1	20	11	52	228	15		150	393
Clerical Assistant	46½	15	2	3	4	25	95½	2		31	128½
Senior Personal Secretary	3	1	3	2	2	3	14	1			15
Personal Secretary	11	6½	5	11	11	35	79½			1	80½
Senior Messenger	21						21	1		1	23
Messenger	39						39	2		6	47
Paperkeeper	22						22	1		3	26
Economic Adviser	3		14	8	5	6	36				36
Senior Economic Asst			10	4	2	1	17				17
Economic Assistant	1		2		2		5				5
Statistician			3			10	13				13
Senior Asst Statistician			1			6	7				7
Assistant Statistician						2	2				2
Principal Scientific Officer						6	6				6
Senior Scientific Officer						6	6				6
Higher Scientific Officer						3	3				3
Scientific Officer						2	2				2

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
Higher Executive Officer (D)	6	2		1		5	14				14
Treasury Valuer									1		1
Deputy Treasury Valuer									1		1
Senior Assistant Valuer									8		8
Principal Information Officer	2						2				2
Senior Information Officer	8						8				8
Chief Superintendent of Typists	2						2				2
Senior Superintendent of Typists	6						6				6
Superintendent of Typists	2						2			1	3
Senior Data Processor						1	1			17	18
Data Processor				2			2			50	52
Typists	51	2		2	1	10	66			4	70
Office Keeper (Grade 1A)	1						1				1
Office Keeper (Grade 2)	1						1			1	2
Chief Photoprinter	1						1				1
Photoprinter (Grade 1)	5						5		1		6
Photoprinter (Grade 2)	7						7				7
Assistant Chief Photoprinter	1						1				1
Senior Librarian	1						1				1
Librarian	2						2				2
Assistant Librarian	2						2				2
Porter	7						7			3	10
Security Officer Grade 1							-	1			1
Security Officer Grade 2							-	2			2
Security Officer Grade 3							-	5			5
Security Officer Grade 4							-	33		1	34
Security Officer Grade 5							-	52		7	59
TOTAL	480	163½	55	109	82	427½	1317	93	43	431	1111

ECONOMIC AND FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII VOTE 4
 BREAKDOWN BY GRADE OF STAFF INCLUDED IN CIVIL SERVICE MANPOWER COUNT AT 1 APRIL 1985



GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
1st Permanent Secretary	1						1				1
2nd Permanent Secretary			1		1	1	3				3
Deputy Secretary	1	1	1	1	1	1	6				6
Under Secretary	2	1	3	4	2	11 $\frac{1}{2}$	23 $\frac{1}{2}$				23 $\frac{1}{2}$
Assistant Secretary	5	5	3	8	10	23 $\frac{1}{2}$	54 $\frac{1}{2}$				54 $\frac{1}{2}$
Senior Principal	3	2	1	1		8 $\frac{1}{2}$	15 $\frac{1}{2}$			1	16 $\frac{1}{2}$
Principal	11	19		13	9	62	114		1	4	119
Senior Executive Officer	16	14		2	3	47	82		1	13	96
Higher Executive Officer	27	24	2	11	7	48	119		1	44	164
Administration Trainee				1	2	4	7				7
Executive Officer	50 $\frac{1}{2}$	38	3	15	9	48	163 $\frac{1}{2}$		7	91	261 $\frac{1}{2}$
Clerical Officer	111	32	1	19	11	52	226		15	147	388
Clerical Assistant	46	14 $\frac{1}{2}$	2	3	4	25	94 $\frac{1}{2}$		2	30	126 $\frac{1}{2}$
Senior Personal Secretary	3	1	3	2	2	3	14		1		15
Personal Secretary	11	6 $\frac{1}{2}$	5	11	11	35	79 $\frac{1}{2}$			1	80 $\frac{1}{2}$
Senior Messenger	21						21		1	1	23
Messenger	39						39		2	6	47
Paperkeeper	22						22		1	3	26
Economic Adviser	3		14	8	5	6	36				36
Senior Economic Asst			10	4	2	1	17				17
Economic Assistant	1		2		2		5				5
Statistician			3			10	13				13
Senior Asst Statistician			1			6	7				7
Assistant Statistician						2	2				2
Principal Scientific Officer						6	6				6
Senior Scientific Officer						6	6				6
Higher Scientific Officer						3	3				3
Scientific Officer						2	2				2

GRADE	CENTRAL SECTOR	PAY AND ALLOWANCES SECTOR	CHIEF ECONOMIC ADVISER'S SECTOR	DOMESTIC ECONOMY SECTOR	OVERSEAS FINANCE SECTOR	PUBLIC SERVICES SECTOR	TOTAL TREASURY ADMINISTRATION SUBHEAD B1	TREASURY SECURITY GUARD	RATING OF GOVERNMENT PROPERTY DEPARTMENT	CHESSINGTON COMPUTER CENTRE	TOTAL CLASS XIII VOTE 4 CIVIL SERVICE MANPOWER NUMBERS
Higher Executive Officer (D)	6	2		1		5	14		1		14
Treasury Valuer									1		1
Deputy Treasury Valuer									1		1
Senior Assistant Valuer									8		8
Principal Information Officer	2						2				2
Senior Information Officer	8						8				8
Chief Superintendent of Typists	2						2				2
Senior Superintendent of Typists	6						6				6
Superintendent of Typists	2						2			1	3
Senior Data Processor						1	1			15	16
Data Processor				2			2			47	49
Typists	51	2		2	1	10	66			4	70
Office Keeper (Grade 1A)	1						1				1
Office Keeper (Grade 2)	1						1			1	2
Chief Photoprinter	1						1				1
Photoprinter (Grade 1)	5						5		1		6
Photoprinter (Grade 2)	7						7				7
Assistant Chief Photoprinter	1						1				1
Senior Librarian	1						1				1
Librarian	2						2				2
Assistant Librarian	2						2				2
Porter	7						7			3	10
Security Officer Grade 1							-	1			1
Security Officer Grade 2							-	2			2
Security Officer Grade 3							-	5			5
Security Officer Grade 4							-	32		1	33
Security Officer Grade 5							-	52		7	59
TOTAL	478½	162	55	108	82	427½	1313	92	43	420	1100

ECONOMIC & FINANCIAL ADMINISTRATION (HM TREASURY): CLASS XIII, VOTE 4

BREAKDOWN OF STAFF NOT INCLUDED IN CIVIL SERVICE MANPOWER COUNT BY GRADE

These figures apply throughout 1984-85

NATIONAL ECONOMIC DEVELOPMENT OFFICE

Civil Service equivalent grades

Second Permanent Secretary	1
Deputy Secretary	1
Under Secretary	2
Assistant Secretary	12 $\frac{1}{2}$
Senior Principal	6
Principal	60
Senior Executive Officer	7
Higher Executive Officer	9
Executive Officer	35
Clerical Officer	28
Clerical Assistant	4
Senior Personal Secretary	3
Personal Secretary	12
Chief Superintendent of Typists	1
Superintendent of Typists	1
Typist	11 $\frac{1}{2}$
Chief Photoprinter	1
Photoprinter Grade 1	4
Photoprinter Grade 2	1
Office Keeper Grade 3	1
Senior Messenger	1
Messenger	4
Paperkeeper	2
Porter	3
	<hr/>
TOTAL	211
	<hr/>

OFFICE OF THE LORD LYON

Lord Lyon	1
Lyon Clerk	1
Secretary	2
	<hr/>
TOTAL	4
	<hr/>

CENTRAL MANAGEMENT OF THE CIVIL SERVICE: COMPUTERS AND TELECOMMUNICATIONS
 (HM TREASURY) CLASS XIII VOTE 13
 BREAKDOWN OF STAFF BY GRADE

	1.4.84	1.4.85
Under Secretary	1	1
Middle Executive Band	1	1
Assistant Secretary	6	6
Senior Principal	11	11
Principal	49	49
Senior Executive Officer	139	139
Higher Executive Officer	115	115
Higher Executive officer (D)	13	13
Executive Officer	79	79
Clerical Officer	46	45
Clerical Assistant	19	16
Personal Secretary	12½	12½
Senior Messenger	2	2
Messenger	11	11
Paperkeeper	3	3
Superintendent of Typists	2	2
Specialist Typist	1	1
Senior Data Processor	1	1
Data processor	1	1
Typist	14½	13½
Office Keeper Grade 2	1	1
Photoprinter Grade 1	1	1
Security Officer Grade 1	2	2
TOTAL	531	526

CENTRAL MANAGEMENT OF THE CIVIL SERVICE:
 CIVIL SERVICE CATERING SERVICES (HM TREASURY): CLASS XIII, VOTE 14

BREAKDOWN OF STAFF BY GRADE

	1 4 84	1 4 85
Chief Executive(Middle Executive Band)	1	1
Senior Principal	1	-
Principal	4	4
Senior Executive Officer	4	2
Higher Executive Officer	3	3
Executive Officer	8	7
Clerical Officer	32 $\frac{1}{2}$	30 $\frac{1}{2}$
Clerical Assistant	6	7
Personal Secretary	3 $\frac{1}{2}$	3
Regional Catering Officer	15	12
Professional & Technology Officer Grade I	1	1
Professional & Technology Officer Grade II	1	1
Professional & Technology Officer Grade III	2	3
Catering Manager Grade I	18	17
Catering Manager Grade II	31	26
Catering Manager Grade III	69	58
Catering Manager Grade IV	43	35
Chef Grade I	5	5
Chef Grade II	11	10
Industrial Staff	1116	907 $\frac{1}{2}$
	<u>1375</u>	<u>1133</u>
TOTAL		

(vi) With regard to Subhead B2 (and table 3), why did the provision for salaries increase so sharply in 1984-85 and the provision for general expenses so sharply in 1983-84?

The 1984-85 Estimate for the National Economic Development Office's (NEDO) pay costs is £792,000 higher than that for 1983-84. £643,000 of this is a direct result of the change to Grant in Aid financing from 1 April 1984; this requires NEDO to pay Superannuation contributions to the Paymaster General's Office. This contribution is 24 per cent of the salary bill (this did not increase total public expenditure). The remaining increase is mainly due to the 1983-84 pay rise exceeding the cash provision of $3\frac{1}{2}$ per cent and the cash provision for a 3 per cent pay increase in 1984-85.

The 1983-84 Estimate for NEDO's general expenses was £1,356,000 higher than the 1982-83 outturn. £1,126,000 of this was due to the introduction of repayment for services provided by the Property Services Agency from 1 April 1983 (this did not increase total public expenditure). Of the remainder, £100,000 was provided to increase the communications work of the tripartite committees of the National Economic Development Council and the balance was largely due to price increases.

(vii) Subhead C3 Over £5 million is provided and £1 million recovered in Appropriations in Aid from non-Exchequer bodies. According to what principle are changes made or not made? Why do 70 departments use the Chessington computer and others make their own arrangements. Have any studies been done of the savings flowing from computerisation?

CHARGING PRINCIPLES

Currently the following principle is in force.

- a. Exchequer departments are not charged.
- b. Charges are however levied for CCC services where the status of the customer department dictates, eg trading funds such as HMSO, Ordnance Survey or Royal Mint and Fringe bodies such as Agricultural Research Council, National Maritime Institute and Crown Estates.

CCC has always provided its services on an allied service basis in view of the essential nature of the services in support of the personnel, Establishment functions of departments and in view of the cost effectiveness of centralisation against dispersed activity.

WHY DO ONLY 70 DEPARTMENTS USE CHESSINGTON

In the early seventies there were some 20 computerised payroll systems in existence. Each required its own maintenance resources and every statutory or central policy change relating to pay had to be incorporated into the 20 systems. With the growing need for computer personnel data CCC absorbed some 25 or 30 more departments and other computerised systems reduced to 10 by 1975. Ministry of Agriculture, Fisheries and Food joined the Chessington payroll in 1983 and Employment and Home Office became remote Chessington payroll system users in April 1984. Environment will adopt the MOD system some time in 1985. All CS non-industrial pay will therefore in the near future be produced on the CCC system or one of the remaining 5 other computerised systems and consideration is being given as to how the residual systems can be reduced still further.

All Civil Service departments will in the near future use the superannuation programs provided by CCC or have their awards calculated at CCC. Other services are provided from Chessington as required by payroll customers in terms of further personnel record and management accounting support.

SAVINGS FROM COMPUTERISATION

Standard Payroll policy was adopted in the mid seventies to reduce wasteful

use of resource in maintaining a large number of different pay systems. Each new department joining CCC in recent years has undertaken a cost analysis prior to their decision to adopt the service. MAFF for example were able to make a net saving of 24 posts to the service as a whole on transferring their payroll operation to CCC.

More recently, a study linked to the provision by CCC of a service-wide superannuation awarding system from April 1984, has already identified agreed savings of 250 posts amongst departments which in due course is expected to rise to 400.

Studies carried out in the middle to long term past as departments decided to transfer payroll and other functions to CCC were carried out by the departments themselves and the net savings made are not recorded by CCC. However, since the main departments were taken on by Chessington in 1973/5 the numbers of clerical support staff at CCC have reduced from 386 to 185 whilst the payroll has increased from 110,000 to 116,000 in size.

(viii) Why is the provision under Subhead C5 borne on the Treasury Vote?

The statute governing the modern constitution of the Lyon Office is the Lyon King of Arms Act 1867. Sections 3 and 5 of this Act refer to the responsibility of the Treasury in determining the salaries of the Lyon and the Lyon Clerk but makes no other provision for departmental responsibility. However, Vote responsibility fell to the Treasury as a result of the 1867 Act and has remained there ever since.

(ix) Does the provision under Subhead C6 represent the whole cost of the Honours system?

The full cost of the Honours system would include staff time at the Palace, No. 10, the Cabinet Office and in Departments. We have no details of such costs. The main items provided for under this Subhead are as follows.

- (i) Salaries and incidental expenses of twelve staff of the Central Chancery of the Orders of Knighthood who are part of the Royal Household and whose salaries are recoverable from the Treasury Vote (1984-85 £129,500);
- (ii) expenses of the Central Chancery of the Orders of Knighthood including purchases and maintenance of Insignia and Regalia (1984-85 £378,000) and Stationery (1984-85 £110,000), computers (1984-85 £15,000);
- (iii) State opening of Parliament - Printing and Stationery (1984-85 £1,700)
- (iv) contribution to the Gentlemen at Arms Uniform Fund (1984-85 £2,000);
- (v) Thistle Installation Service (1984-85 £3,100);
- (vi) expenses in connection with the Queen's Awards for Export and Technological Achievement includes Grants of Appointment, Scroll and Emblem Boxes, manuals of guidance, manufacture of emblems, encapsulation etc (1984-85 £47,200).

B

(x) With regard to subhead C7 why has the income from the Chequers Trust fallen so far short of the costs of running Chequers?

The income from the Chequers Trust derives from the investment of the original capital of £100,000, bequeathed to the nation in 1917 with the Chequers Estate, supplemented by subsequent minor gifts and the income from the lease of a farm on the Estate. The management of the investment portfolio is undertaken by the Public Trustee and the farm lease is reviewed every three years. This lease was last reviewed in September 1981 and a further review will be carried out this year.

In 1984-85 the Trusts income is estimated at some £67,000 (including £15,000 from rents). Given that the Chequers Estate is not only the official residence of the Prime Minister but also used for meetings with Heads of State and overseas Ministers, the limited income of the Trust is not sufficient to meet the Estate's running costs. It was for this reason that the Chequer's Estate Act 1958 was passed; this enables the Treasury to pay a grant in aid of the expenses of the Estate.

In recent years major items of essential repairs and maintenance have needed to be carried out including the rewiring of the main building. In 1984-85 work will need to start on the renewal of the heating and hot water system and repairs to the stonework of the main building at a total estimated cost of £230,000. Expenditure of £50,000 has been included for this work in the 1984-85 estimate.

(xi) With regard to the Appropriations in Aid in general, what are the principles which govern whether a service should be charged out or not?

Part of the receipts brought to account as Appropriations in Aid represent repayment services to 'outside customers', collectively known as 'non-Exchequer bodies'. Non-Exchequer bodies are charged full costs for services provided.

The rules governing transactions between Exchequer departments reflect the principle that financial transactions between departments which are financed from Supply Grants should be avoided unless they serve important purposes of presentation or financial control. Repayment is increasingly seen, however, as a means of controlling the use of resources managed by one department on behalf of another. In this respect repayment is desirable if it promotes improved control, facilitating economy in the use of these resources, and if overall the administrative cost of adopting repayment is proved cost-effective in relation to the savings it brings.

CONFIDENTIAL

mp



FROM: DAVID PERETZ

DATE: 15 June 1984

MR GILMORE

cc PS/Chief Secretary
PS/Minister of State
Sir P Middleton
Mr Bailey

TCSC EXAMINATION OF TREASURY ESTIMATES

The Chancellor suggests that item (i) in the note attached to your minute of 14 June should include the point that Mr Wilson will have direct access to Treasury Ministers, including the Chancellor.

DL

D L C PERETZ

particular we expect to be told when any functions previously carried out by civil servants have been transferred to outside agencies.

17.(v) We hope to find time in the future for a full enquiry into the Treasury's internal organisation.

18.(vi) We look forward to seeing shortly a revised organisation chart for the Treasury, showing how Mr Wilson, the new Head of the Government Accountancy Service, and his senior staff are to be fitted in. When Mr Wilson has been in post for a few months we intend to invite him to give us evidence on his new role.

mp

FROM: D R NORRGROVE
DATE: 28 JUNE 1984

MR GILMORE

cc Mr Peretz ^{12/2}
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Battishill
Mr Monger (Customs Report)
Mr Fox
Mr Needle

TCSC: ESTIMATES ENQUIRY

A copy of the Treasury Committee's report on the Treasury Estimate is attached. This has been sent to me with stern warnings about the need to maintain confidentiality. If anyone happens to meet a member of the Committee it would be as well not to mention that we have seen it.

2. The report is unremarkable, save perhaps only for the weight of the Committee's hopes which ride with Mr Wilson (paragraph 13). It seems unlikely to attract much attention when it is published (on 10 July), but IDT will need a line to take. For this report, the line probably need be no more than to say that the Treasury will be replying to the report in due course.

3. The reply ought in principle to be with the Committee by 10 September, two months after publication. The Committee have asked that when a specific recommendation has been made, the recommendation should be quoted in full in the reply. There is only one specific recommendation mentioned in paragraph 14, but you may want at least to comment on some of the other points listed there.

4. I am also sending for you only a proof copy of the evidence. The Clerks will be checking this.

D R Norgrove
D R NORRGROVE

NB Changes in red need to be made to proof.

HOUSE OF COMMONS

Sixth Report from the

TREASURY AND
CIVIL SERVICE
COMMITTEE

Session 1983-84

ESTIMATES 1984-85
HM TREASURY AND CIVIL SERVICE

Together with the Proceedings of the Committee,
Minutes of Evidence and Appendices

Ordered by The House of Commons to be printed
25 June 1984

LONDON
HER MAJESTY'S STATIONERY OFFICE
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The Treasury and Civil Service Committee is appointed under S.O. No 99 to examine the expenditure, administration and policy of the Treasury, Management and Personnel Office, the Board of Inland Revenue, and the Board of Customs and Excise and associated public bodies, and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of a maximum of eleven members, of whom the quorum is three. Unless the House otherwise orders, all Members nominated to the Committee continue to be members of the Committee for the remainder of the Parliament.

The Committee has power:

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time;
- (b) to appoint specialist advisers either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

The Committee has power to appoint one sub-committee and to report from time to time the minutes of evidence taken before it. The sub-committee has power to send for persons, papers and records, to sit notwithstanding any adjournment of the House, and to adjourn from place to place. It has a quorum of three.

Friday 9 December 1983

The following were nominated as members of the Treasury and Civil Service Committee.

Mr Anthony Beaumont-Dark	Mr Peter Lilley
Mr John Browne	Mr Austin Mitchell
Mr Nicholas Budgen	Mr Brian Sedgemore
Mr Mark Fisher	Mr John Townend
Mr Terence L Higgins	Mr Richard Wainwright
Mr Ralph Howell	

Mr Terence L Higgins was elected Chairman on 13 December 1983.

The following change in the membership of the Committee has been made. Friday 27 January 1984: Mr Peter Lilley discharged; Mr Roger Freeman appointed.

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H M CUSTOMS AND EXCISE

Mrs V P M Strachan and Mr D J Howard 1

H M TREASURY

Mr B T Gilmore, Mr B M Fox and Mr E J Needle

MEMORANDUM INCLUDED IN THE MINUTES OF EVIDENCE

1. Memorandum by H M Treasury

LIST OF APPENDICES TO THE MINUTES OF EVIDENCE

1. THE SYSTEM FOR DEFERMENT GUARANTEES ON WAREHOUSE GOODS:
Memorandum by H M Customs and Excise
2. CHANGES IN TRADERS' RECORD-KEEPING REQUIREMENTS:
Memorandum by H M Customs and Excise
3. THE ROLE OF RESPECTIVE GOVERNMENT DEPARTMENTS IN CONTROLLING
THE ILLICIT DRUGS TRADE: Memorandum by H M Customs and
Excise
4. PROSECUTIONS FOR FAILURE TO FURNISH VAT RETURNS AND FAILURE
TO PAY VAT: Memorandum by H M Customs and Excise
5. Memorandum by H M Treasury

SIXTH REPORT

The Treasury and Civil Service Committee has agreed to the following Report:

(10/11/84) — Estimates 1984-85: Treasury and Customs and Excise

1. This is our first enquiry into the main estimates though we have enquired into supplementary estimates in the past.¹ Among the votes and parts of votes which come into the area of responsibility of the Committee, we have chosen on this occasion to enquire into the votes for the Treasury and the Customs and Excise (Class XIII, Votes 4 and 5 respectively).
2. We thought the correct approach in this first enquiry was to establish what lay behind the face of the Estimates. Neither Department is a spending Department and the bulk of their estimates is accounted for by salaries and other administrative costs. We concentrated first on trying to establish how, having regard to their functions, each Department decided on the total level of resources to be deployed and on the division of resources between the different functions. We also asked questions ranging across the whole range of the subheads in each Vote. The replies we received orally² and in writing³ are printed with this report.
3. We are grateful for their assistance to our three advisers - Mr Andrew Likierman of the London Business School and Mr John Hansford and Mr Gilbert Leighton-Boyce, formerly employed in the Treasury and Customs and Excise respectively.

(10/11/84) — Treasury

4. The Treasury's Estimate is for £43,465,000 of which £19,323,000 has already been allocated in Vote on Account. The larger figure breaks down as follows:-

	£ million
Treasury administration (subhead B.1)	29,461
National Economic Development Council: grant-in-aid (subhead B.2)	6,576
Chessington computer centre (subheads C.3 and C.4)	5,890
Other expenditure	4,024
	<u>45,951</u>
Less appropriations in aid	2,486
	<u>43,465</u>

5. The provision under subhead B.1 is divided into seven sections corresponding to the way in which the Treasury is organised. The Treasury witnesses had some difficulty in explaining the meaning of the figures in the Estimates and the reasons for changes in the figures between 1983-84 and 1984-85. Explanations were subsequently provided in writing.⁴ A number of complicated changes have taken place. There have been no changes of function but staff have been regrouped. First, the Pay and Allowances sector is now shown separately whereas, in the 1983-84 Estimates, it was included in the Central Sector. On the other hand, Common Supporting Services were shown separately in the 1983-84 Estimates and are now included in the Central Sector. As a result of these changes in the layout of the subhead, the figures (for both money and staff) for 1983-84 are different in the 1984-85 Estimates from what they were in the 1983-84 Estimates. Secondly, the 1984-85 Estimates show a sharp increase in financial provision for the Central Sector but no corresponding increase in staff. The reason is that the extra money is not being spent on staff but on non-staff items such as computers and office machinery. Thirdly, staff have been moved from the Domestic Economy Sector to the Public Services Sector, resulting in a fall in the cost of the former and a corresponding increase in the cost of the latter.

6. None of this is apparent on the face of the Estimates. Consequently, the main subhead (B.1) of the Vote is extremely difficult to understand. The Treasury have conceded that the way in which the various changes have been handled do not help comparisons between 1983-84 and 1984-85. They have undertaken to consider ways in which information can be better shown for the whole subhead.^{4A} We think the presentation of subhead B.1 offends against a main principle on which the Estimates should be based. It should always be possible to see how the provision requested in the current year's Estimates compares with the Estimates presented and approved in the preceding year. Any changes of form or substance should be explained in the Estimates.
7. The Treasury is responsible not only for its central policy divisions employing 1317 staff but also for the Chessington Computer Centre (which handles the payrolls of various Government departments), the Central Computer and Telecommunications Agency (CCTA) and the Civil Service Catering Organisation (CISCO) which between them employ some 2400 staff. The Treasury provided us with information about the allocation of resources over this whole field. We are not, strictly speaking, concerned with the CCTA and CISCO in our present enquiry, the costs of which are borne on other votes (Class XIII, Votes 13 and 14 respectively). However, we were told that both organisations had been the subject of fundamental reviews.⁵ At the Chessington Computer Centre, budgetary control has been delegated, in the context of the Financial Management Initiative, "further than previously, from the centre to Chessington, and within Chessington".⁶

8. We concentrated our main attention on the more difficult question of the allocation of resources between the central policy divisions of the Treasury. These divisions employ a relatively high proportion of senior staff.⁷ Staff inspection is used and studies of particular parts and facets of the organisation are carried out.⁸ Treasury officials told us:-

"The baseload work does not change drastically. What we have to do in the internal management of the Treasury in that situation is make sure it is truly efficient and complemented in particular cases against the work to be done, which tends to become a question of judgement about where there is something to be gained by adding in resources, and where work pressures or interest fall away there is a switch away, so one is dealing with questions of that kind. Those issues have been dealt with hitherto by a combination of continuing dialogue between Treasury Ministers, Treasury top management and Establishments in the Treasury about the sort of thing which has to be done, the sense Ministers have of the way they are being served, the jobs to be done and the loading of that work in the judgement of ourselves who, for instance, would want there to be staff inspections to see what the loading was. In that sense it breaks down to the particular case and you look at the particular case. I might say we are in fact working up a system whereby once a year we deliberately stop and look at it across the board in terms of what is to be done, why and what the resources are to do it at that moment, but that is more a question of adding to our annual deliberations, or adding to what is done now."⁹

The Treasury does not have a Management Plan. In response to questions about this and about progress made with the Financial Management Initiative in the Treasury's own organisation we were supplied with the following information in writing:-

"10. The Treasury is a relatively new department in its present form, since the reorganisation of the central departments in December 1981. It therefore does not at present have one overall plan. There are different ways of setting aims and objectives and allocating resources in different parts of the department as a whole.

.....

12. For the central policy divisions of the Treasury, the aims and priorities are set out in its policy documents: the Budget, FSBR, Autumn Statement, Public Expenditure White Paper and so on. These are both public and quantified. Within the Department, divisions' responsibilities are clearly set out, and their resources (in particular, manpower) allocated. The work itself involves divisions working together, rather than pursuing independent activities, and is very much a matter of serving Ministers in following the changing emphasis of events. It does not lend itself so readily as an executive operation to the identification of separate quantified objectives.

13. Nevertheless we are developing a system for more deliberate annual consideration across the whole department of work to be done and resources to do it with (paragraph 16 below), and have completed an experimental round. We should therefore be in a position next year to introduce an overall information system for top management so that we can consider once a year the work to be done and priorities in doing it, across the board, along with the allocation of resources.

.....

15. A new computerised management accounting system became operational on 1 April, on time and within budget. It will give managers at all levels more timely reports of their costs, and in more useful form.

16. We are well advanced with our system for more deliberate annual consideration of work to be done and resources to do it with. We have completed an experimental round of work planning to test Ministers' and top management information requirements and how to cover the range of different work in the Treasury. We are now embarking on a full round of the 'top management system', extended to include allocation of resources and supported by the new accounting system.

17. Responsibilities for control of costs have been overhauled and 'budget rules' for managers have been drawn up. There have been major delegations to Chessington; CCTA and CISCO are being considered in the light of the recent reviews. In the central Treasury there is less scope for delegation, as in all 'headquarters' organisations, but a budgeting system will be in operation by 1 April 1985.

.....

20. In sum our progress on FMI is well advanced and we are on course to have all planned improvements operational in 1985-86."¹⁰

9. We asked how the Treasury's contribution to the overall cuts in civil service numbers was achieved. We were told:-

"We do not have the data on which to analyse reductions in this way for the whole period because of the reorganisation of the central departments in December 1981. For the two full financial years since that reorganisation, the figures for the whole of the Treasury's manpower count are:

Changes in workload (net)	233
Greater efficiency and streamlining	174
Dropping functions	14
	<u>421</u> " ¹¹

A number of questions arise on these figures. For example, it would be desirable to know the reasons for the changes in workload and the split between "greater efficiency" and "streamlining" (which can mean many different things).

10. It is hard to say what all this means, or will mean, in practice. It would be surprising if the allocation of resources (particularly of senior staff) among the central policy divisions of the Treasury did not rest heavily on ad hoc judgement. The Treasury is essentially a "policy" Department in which the activities of officials are geared to advising Ministers. There is, therefore, no way of answering, by means of measurement and the production of precise figures, the question of where, at the margin, extra resources could be profitably employed or a reduction in resources justified. Nevertheless, an answer has to be found and proper attention given to arriving at a correct judgement. We are unable to say on the evidence placed before us whether or not the Treasury is giving the attention it should to the distribution of its available resources (including specialised staff) between its central policy

divisions. We should be glad to be provided, in due course, with the results of the first full round of the new "top management system". We should also like to have a fuller account of how past cuts in staff have been achieved and how it is proposed to achieve cuts in the next round of civil service reductions. We hope to find time in the future for an enquiry into the Treasury's internal organisation.

11. We asked the Treasury a large number of questions across the whole range of their Estimates and received replies orally and, more extensively, in writing. As a result we are much better informed of what lies behind the various items which make up the Estimates. We should have liked, given the time, to explore some of these areas of expenditure more fully and we intend to do this when we report on the Estimates for 1985-86. For the present we have only one comment to make, which we explain in the next paragraph. Members of the House with particular interests may find it useful, meanwhile, to refer to the evidence published with this report.

12. The comment we wish to make relates to a matter on which we have already reported.^{11A} It appears that the Treasury have made provision in their Estimates (although it does not appear on the face of the Estimates) for the new Head of the Government Accountancy Service, Mr Wilson, who will take up his post on 1st October 1984, and also for his staff, including those who will be transferred from DTI.^{11B} We asked how he would fit into the organisation chart with which we had been provided.^{11C} We were told that the precise organisation of Mr Wilson's command has yet to be discussed with him and that we would be provided with a revised organisation chart as soon as it was available. We look forward to seeing this shortly. When Mr Wilson has been in post for a few months we intend to invite him to give us evidence on his new role.

13. We are tempted to see a connection between the present lack of a professional accountant at senior levels in the Treasury and a case of gross overspending in the National Health Service on which the Public Accounts Committee reported recently ^{11D}. The Treasury approves the original provision for expenditure and monitors the subsequent cash flow of Departments but the arrangements seem to have proved ineffective in this case. This is the kind of matter to which we hope the new Head of the Government Accountancy Service will give his early attention.

Conclusions and recommendations

- 14.(i) It is difficult to understand the main Subhead (B1) because of changes which have been made in the presentation. We have obtained explanations from the Treasury but they should have appeared in the Estimates.
- 15.(ii) We recommend that in future any changes, which make comparisons between the current and immediately ^{or} post year difficult to make, should be fully explained in the Estimates.
- 16.(iii) We are unable to say on the evidence placed before us whether or not the Treasury is giving the attention it should to the distribution of its available resources (including specialised staff) between its central policy divisions. We wish to be provided, in due course, with the results of the first full round of the new "top management system".
- 17.(iv) We also expect to have a fuller account of how past cuts in staff have been achieved and how it is proposed to achieve cuts in the next round of Civil Service reductions. This should include an account of the reasons for the changes in workload and of the split between "greater efficiency" and "streamlining". In

CONFIDENTIAL

FROM: B T GILMORE

9 July 1984

MR CULPIN

c
 I gather Sir PEM
 thinks this has come
 out better than it might have.
 ✓ ✓

cc Chancellor
 Chief Secretary
 Financial Secretary
 Minister of State
 Economic Secretary
 Sir P Middleton
 Mr Bailey
 Mr Anson
 Mr Battishill
 Mr Watson
 Mr Collinson
 Mr Fox
 Mr Needle

TCSC: ESTIMATES ENQUIRY

We understand the Treasury and Civil Service Committee will publish on Tuesday 10 July the report on their enquiry into the Treasury Estimate. In strict confidence we understand their conclusions and recommendations to be as attached.

2. The enquiry and report are relatively short, and do not seem likely to attract a great deal of press attention. If you are asked about it, your basic position should be simply that the Treasury will be replying to the report in due course (the current convention is to reply within two months).

3. It would be wrong to engage in detailed discussion of the report through the press (except, of course, in the unlikely event of some notably tendentious or damaging story, in which case Mr Fox and I will be available to brief you). But for the general feel of the situation you may like to know that:

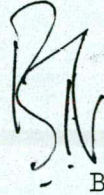
(a) the one recommendation - that the comparison between years should be more clearly shown in the detail of the Estimate - is one we accepted in our evidence;

(b) the "not proven" conclusion on resource allocation ("we are unable to say on the evidence placed before us whether or not the Treasury is giving the attention it should to the distribution of its available resources (including specialised staff) between its central policy divisions") is likely to be accompanied in the report itself by an acknowledgment that in a policy department like the central Treasury deciding where resources should be deployed must rest heavily on the judgement of those responsible about returns at the margin;

(c) the point about the position of the new Accountancy Adviser in the Treasury hierarchy reflects a continuing disagreement between the Government and the Committee on which both views have been fully stated,

and published (by the Committee) separately.

The Committee's other points are about further information they would like to have, ^{and} ~~on~~ their own future programme.



B T GILMORE

Conclusions and recommendations

- 14.(i) It is difficult to understand the main Subhead (B1) because of changes which have been made in the presentation. We have obtained explanations from the Treasury but they should have appeared in the Estimates.
- 15.(ii) We recommend that in future any changes, which make comparisons between the current and immediately ^apost year difficult to make, should be fully explained in the Estimates.
- 16.(iii) We are unable to say on the evidence placed before us whether or not the Treasury is giving the attention it should to the distribution of its available resources (including specialised staff) between its central policy divisions. We wish to be provided, in due course, with the results of the first full round of the new "top management system".
- 17.(iv) We also expect to have a fuller account of how past cuts in staff have been achieved and how it is proposed to achieve cuts in the next round of Civil Service reductions. This should include an account of the reasons for the changes in workload and of the split between "greater efficiency" and "streamlining". In particular we expect to be told when any functions previously carried out by civil servants have been transferred to outside agencies.
- 17.(v) We hope to find time in the future for a full enquiry into the Treasury's internal organisation.
- 18.(vi) We look forward to seeing shortly a revised organisation chart for the Treasury, showing how Mr Wilson, the new Head of the Government Accountancy Service, and his senior staff are to be fitted in. When Mr Wilson has been in post for a few months we intend to invite him to give us evidence on his new role.

UNCLASSIFIED

1. SIR PETER MIDDLETON
2. CHIEF SECRETARY

FROM: B T GILMORE
4 September 1984

cc Chancellor o/r ←
Mr Bailey
Mr Anson
Mr Battishill
Mr Scholar
Mr Dixon
Mr Fox
Mr Needle
Mr Hansford
Mrs Strachan (C/E)

TCSC ESTIMATE SCRUTINY

I submit a draft reply to the Committee's Sixth Report, cleared as necessary in Treasury and Customs.

2. The Government's declared principle is to reply within two months of a report. In this case that would mean replying by 10 September. The Chancellor returns on 11 September, and you may feel that this should await his return. On the whole, however, Mr Battishill and I feel that it would be a pity to allow it to be said that the Treasury had (for the first time) failed to reply "on time", and for a pretty routine paper. So I am submitting it, if you agree, for the Chief Secretary's approval this week.



.. B T GILMORE

DRAFT

ESTIMATES 1984-85: HM TREASURY AND CUSTOMS AND EXCISE

The Government has noted the conclusions and recommendations in paragraphs 14 and 29 of the sixth report from the Treasury and Civil Service Committee, which dealt with the Treasury and Customs and Excise Estimates for 1984-85 (Class XIII, Votes 4 and 5), and has the following observations.

A. Changes in the Structure of Estimates

Paragraph 14(ii): "We recommend that in future any change, which makes comparisons between the current and immediate past year difficult to make, should be fully explained in the Estimates."

2. The Government accepts this recommendation, which accords with the intention of present procedures. Treasury guidance on this issue is being clarified and re-emphasised, and the description of current practice published in the "Guide to the Supply Estimates" in the Chief Secretary's Memorandum will be improved.

B. Staff Reductions in the Treasury

Paragraph 14(iv): "We also expect to have a fuller account of how past cuts in staff have been achieved and how it is proposed to achieve cuts in the next round of civil service reductions. This should include an account of the reasons for the changes in workload and of the split between "greater efficiency" and "streamlining". In particular we expect to be told when any functions previously carried out by civil servants have been transferred to outside agencies."

3. The Treasury Memorandum of 15 June 1984 gave a breakdown of manpower reductions confined to the last two complete financial years, because the reorganisation of the central departments in December 1981 meant that the basic data before that was not readily available. The net reduction of 421 staff in those two years was allocated between the standard classifications used for service-wide records as in the table at Annex A. The changes in workload in the Central Treasury resulted from the Security Guard having to man fewer doors. Those at Chessington (CCC) resulted from the addition of the Ministry of Agriculture, Fisheries and Food payroll, and the removal of the overseas payroll of the Overseas Development Administration. Those in the Central Computer and Telecommunications Agency (CCTA) resulted from the transfer to HMSO of the computer bureau work done for HMSO. Those in the Civil Service Catering Organisation (CISCO) resulted from the varying

workload in its catering business. The reduction of 14 from dropping or curtailing a function in CISCO resulted from the rundown in Skillcentre catering.

4. The remaining savings in the Central Treasury, CCC and CCTA are attributed to general streamlining. The main reductions were 25½ following reviews of typing and messengerial services; 14½ from the integration of manpower and expenditure control, and staff inspections of the expenditure divisions; 13 from the reorganisation and staff inspection of establishments work; and 5 Open Structure posts following the Wardale review. The reductions at Chessington resulted mainly from the completion of the conversion to new computers, and changes from weekly to monthly payment. Changes in this category are less readily attributable to a single cause than those in the preceding paragraph. In a department like the Treasury it is part of the normal process of management that various factors (which may include marginal shifts in workloads, changes in the nature and emphasis of work, the effects of introducing microcomputers etc) come together in the results of a staff inspection, ad hoc review or reorganisation. It is therefore difficult to draw a clearcut distinction between categories b and c (indeed the returns for CISCO combine the two as the table indicates), and that is why the Treasury Memorandum of 15 June combined them in the phrase "greater efficiency and streamlining".

5. As to future savings, since 1 April 1984 212½ catering staff in Royal Ordnance Factories have been transferred to the strength of the Royal Ordnance Factories preparatory to their privatisation and the decision to end catering in Skillcentres will reduce CISCO manpower by a further 22. We are confident that further reductions for the Treasury to 1988 can be achieved, as in the past, by greater efficiency pursued through the normal process of management described above.

C. Treasury Organisation Chart

Paragraph 14 (vi): "We look forward to seeing shortly a revised Organisation Chart for the Treasury, showing how Mr Wilson, the new Head of the Government Accountancy Service, and his senior staff are to be fitted in."

6. The Treasury organisation chart which will apply from 1 October is at Annex B.

D. Withdrawal of the system of postponed accounting for VAT on imports

Paragraph 29(ii): "We should like to be told, in due course, of any changes that are proposed to be made in the levying of VAT on home produced

goods held in bonded warehouses and, later on, of any practical problems which arise, more generally, in operating the new system for levying VAT on imported goods."

7. Customs and Excise wrote to the Committee on 5 July, to inform them of the Government's decision that the withdrawal of postponed accounting should apply to all warehoused goods.

HM TREASURY
HM CUSTOMS AND EXCISE

September 1984

~~TABLE A~~

	CENTRAL TREASURY	CHESSINGTON COMPUTER	CENTRAL COMPUTER AND TELECOMMUNI- COMMUNICATIONS AGENCY	CIVIL SERVICE CATERING ORGANISATION	TOTAL
(a) (i) increases		+ 20		+ 21	+ 41
(ii) decreases	- 6	- 5	-129	-134	-274
arising from changes in workload (including revised economic assumptions);					
(b) decreases from the carrying out of work more efficiently by changes in method))) - 68	-174
(c) decreases from general streamlining (including changes in the level of service) and other minor changes;	- 60½	- 31½	- 14))	
(d) increases arising from major new activities					
(e) decreases from dropping or materially curtailing a function				- 14	- 14
(f) decreases from privatisation (the complete transfer of a central government function from a department to the private sector as defined by the Treasury and the CSO in the National Accounts);					
(g) decreases from hiving off (the transfer of a central government function to another public sector organisation);					
(h) decreases from contracting out (the transfer of the provision of a service, which the department continues to need and for which it retains direct responsibility, to a private sector contractor).					
NET TOTALS	- 66½	- 16½	-143	-195	-421

'includes Treasury Security Guard and Rating of Government Property Department.

Annex A

HM TREASURY ORGANISATION CHART

Annex B

OCTOBER 1984

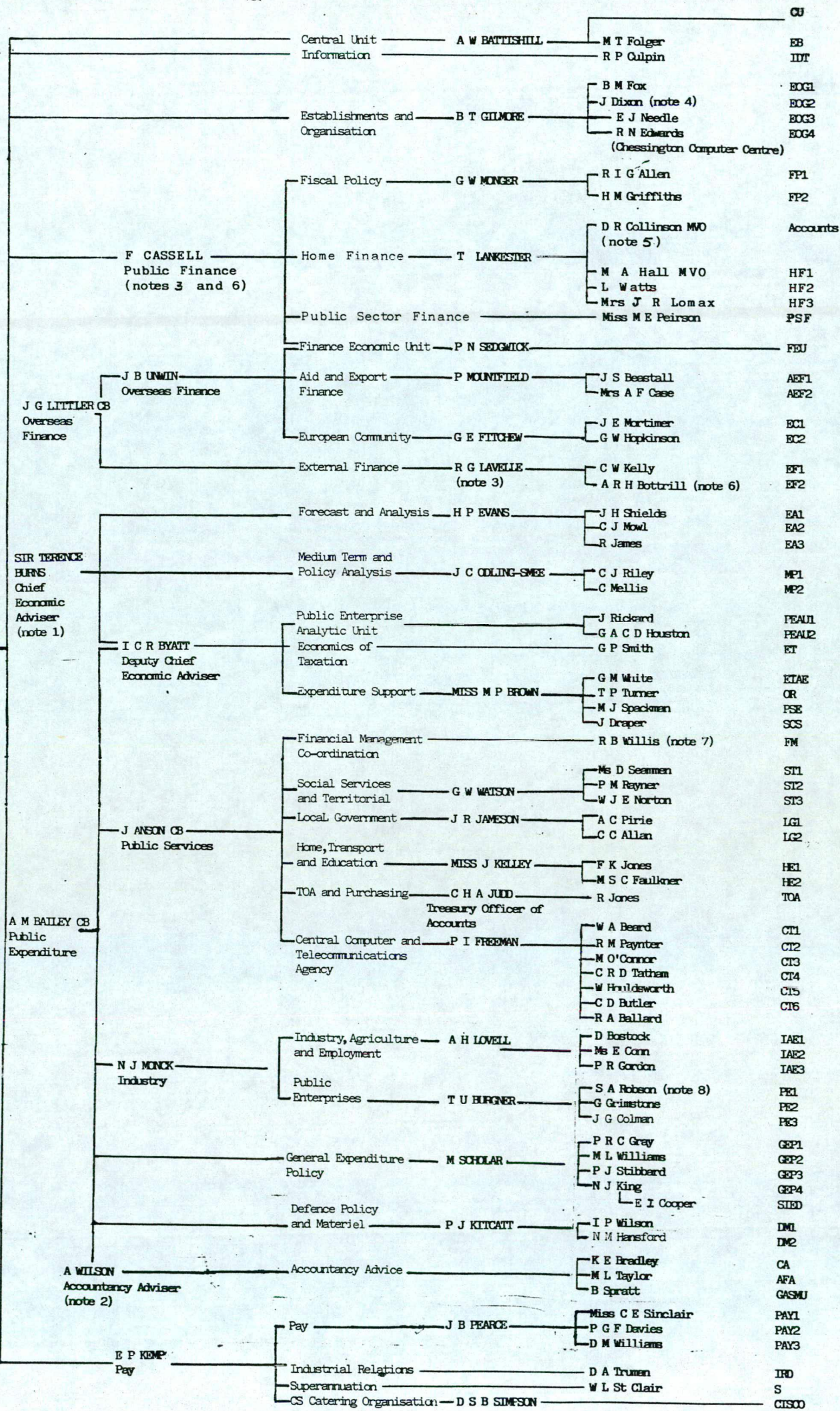
RT HON NIGEL LAWSON MP
Chancellor of the Exchequer

RT HON PETER REES QC MP
Chief Secretary

JOHN MOORE MP
Financial Secretary

BARNEY HAYDE MP
Minister of State

IAN STEWART MP
Economic Secretary



- Notes:-
- note 1 Sir T Burns is Head of the Government Economic Service
 - note 2 Mr Wilson is Head of the Government Accountancy Service
 - note 3 Mr Lavelle reports to Mr Caspell, and Mr Caspell to Mr Littler, on exchange rate management
 - note 4 Mr Dixon reports to Sir Terence Burns on the management of the Government Economic Service
 - note 5 Mr Collinson reports to Mr Gilmore on the Civil List
 - note 6 Mr Bottrill reports to Mr Evans on world economic prospects
 - note 7 Mr Willis reports to Miss Brown and Miss Brown to Mr Anson on some aspects of financial management
 - note 8 Mr Robson reports to Mr Caspell on domestic oil questions



pmf

FROM: JOHN GIEVE

DATE: 10 September 1984

MR GILMORE

cc: Chancellor
Sir P Middleton
Mr Bailey
Mr Anson
Mr Battish
Mr Scholar
Mr Gilmore
Mr Dixon
Mr Fox
Mr Needle
Mr Hansford
Mrs Strachan (C/E)

TCSC ESTIMATE SCRUTINY

The Chief Secretary has read the draft reply attached to your minute of 4 September. He is content with the draft subject to the deletion of "greater efficiency pursued through" in the last sentence of paragraph 5. He has noted the special position for Mr Wilson in the revised organisation chart and has observed that it is unlikely to satisfy to Select Committee.

JG

JOHN GIEVE