

32/56

M.T.

Confidential Filing

Manpower reductions in the  
Cabinet Office.

CIVIL SERVICE

JULY 1979.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>29.7.79</del>		<del>27.10.81</del>					
<del>13.9.79</del>		9.5.83					
<del>15.9.79</del>							
<del>17.10.79</del>							
<del>7.7.80</del>							
<del>31.10.80</del>							
<del>3.11.80</del>							
<del>31.10.80</del>							
<del>21.9.81</del>							
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Cuts etc: see: "Civil Service,  
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Freeze on Manpower etc.



Sub

10 DOWNING STREET

*From the Private Secretary*

MR. HATFIELD

CABINET OFFICE RUNNING COSTS

This is just to record that the Prime Minister has seen Sir Robert Armstrong's minute of 5 May about Cabinet Office running costs.

TIMOTHY FLESHER

9 May 1983

Ref. A083/1250

PRIME MINISTER



*Prime Minister:*  
*MB* *PH*

*6/6*

Cabinet Office: Departmental Running Costs

In common with all Departments the Cabinet Office is required to carry out an annual scrutiny of running costs. This is the third such exercise, although there have been changes in the way the information is presented, and in the current scrutiny we are asked to compare the outturn for 1981-82 with the forecast outturn for 1982-83 and the approved Estimate for 1983-84, concentrating on those items showing significant movement in costs. I have followed the procedure you agreed for the earlier exercises, where you were content for me to carry out the detailed scrutiny and to provide you with a statement about the outcome (your Private Secretary's letter of 9 May 1980 refers).

2. I have completed my detailed scrutiny under the following headings:-

- A. Pay Costs
- B. Personnel Overhead
- C. Accommodation
- D. Office Services
- E. Services Supplied by Outside Bodies
- F. Capital Costs
- G. Receipts

3. The summary which follows shows how the major Cabinet Office costs have moved under these headings. The total cost of running the Cabinet Office, excluding the Property Repayment Scheme launched on 1 April 1983, is:-

<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u>	<u>Increase over</u> <u>Previous Year</u>	<u>1983-84</u> <u>Estimate</u>	<u>Increase over</u> <u>Previous Year</u>
£ million	£ million	%	£ million	%
8,933	9,737	+9.0	10,393	+6.7

In real terms, ie discounting price increases, the 1981-82 and 1982-83 costs are about the same level. The 1983-84 provision shows an increase of about 1 per cent (in real terms) over the previous



year. This small volume increase is largely due to the additional maintenance required for the Central Statistical Office computer which underwent a major enhancement during 1981-82, mainly to meet increased user demands from the Treasury, which now absorbs between 65 per cent and 70 per cent of the computer service.

Pay Costs

4. These continue to be the single most important factor bearing on our running costs. In 1983-84 pay costs represent 75 per cent of the Vote, excluding the Property Repayment Scheme and capital items. The total expenditure on salaries and wages is:-

	Cost £ thousand	% change compared with previous year	
		<u>Staff</u>	<u>Salaries</u>
1981-82	5,531		
1982-83	6,064	-3.4	+9.6
1983-84 Provision	6,217	-1.5	+2.5

The increase between 1981-82 and 1982-83 is accounted for by pay increases of 5.9 per cent for the lower and middle grades, 14-15 per cent for the higher grades and 12.2 per cent for London Weighting. The average salary of staff on loan from industry and commerce and service officers from MOD rose by 17.8 per cent.

5. A firm check is kept on staff numbers and on the way we use the staff. We have reduced staff numbers from 635 staff at 1 May 1979 to 546 on 1 April 1983, and are on course to achieve our present target of 527 at 1 April 1984 (this latter figure compares with an earlier target of 540). Improvements in the efficiency of some common service activities have helped to achieve this reduction. Our over-time bill for 1982-83 (£130,000) was 41 per cent up on 1981-82 entirely as a consequence of the Falklands crisis. These pay figures exclude a notional pension and gratuity liability which is £1,318,000 in 1983-84.



Personnel Overheads

6. The pattern of expenditure is:-

	£ thousand	<u>% change with previous year</u>
1981-82	174	
1982-83	206	+18.4
1983-84 Provision	264	+28.2

These amounts include minor sums for entertainment, removals, protective clothing and catering subsidies. The two major items are travel and subsistence (T & S) and training payments to outside bodies.

7. Provision for travel and subsistence in 1983-84 is £176,000, up about 21 per cent on 1982-83. In the period under consideration higher rail fares (21 per cent), motor mileage allowance (18 per cent) and subsistence (18 per cent) have been major factors in the increase. Expenditure on overseas travel does not follow a regular annual pattern, and the 1983-84 provision, which is up by about 43 per cent on 1982-83, partly reflects a higher estimated need for trips abroad, including Mr Goodall's visits to Washington on nuclear matters and a visit by the Intelligence Co-ordinator to Australia and New Zealand, and also delayed billing from 1982-83. The budgeting and control system introduced several years ago for travel costs is working well, and enables a careful watch to be kept on the assessment and the pattern of expenditure. Training payments to outside bodies is up from £25,000 in 1982-83 to £52,000 in 1983-84. This is mainly a technical increase arising from the introduction of repayment for some Civil Service College courses.

Accommodation

8. The introduction of the Property Repayment Scheme on 1 April 1983 involved the transfer of £4,413,000 from PSA to the Cabinet Office Vote; no valid comparisons can therefore be drawn with costs for earlier years. There has been no change in our accommodation holdings and we continue to take care to ensure that facilities are used in the most economical way.



## Office Services

9. The largest increase in this section is on current expenditure on computers (up by £186,000, about 46 per cent). This reflects the increased maintenance charges resulting from the enhancement of the Central Statistical Office computer, mainly to meet the needs of the Treasury, whose Financial Information Service (FIS) is now completely computerised.

10. Other significant items are:-

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
Telecommuni- cations	295	305	+ 3.4	386	+26.6
Stationery	95	116	+22.1	130	+12.1
Printing and binding repro- graphics	119	154	+29.4	163	+ 5.8
Office machinery	92	106	+15.2	122	+15.1

The increase in expenditure on telecommunications is due to higher maintenance costs and the replacement of non-capital items in the Cabinet Office Briefing Room, and in aid of the proposed defence centre in the MOD. The bulk of the expenditure on stationery, printing and office machinery is incurred through HMSO. The main factors contributing to the increases over the years are price increases of up to 20 per cent on some items; a greatly increased use of computer stationery and higher maintenance and rental charges on office machinery which has become more productive but also more sophisticated. In 1981-82 a special exercise was mounted to reduce stocks of HMSO supplies. This once-and-for-all saving resulted in the overall outturn for 1981-82 being less than the outturn for the previous year, which affects the comparison between 1981-82 and 1982-83.

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## Services Supplied by Outside Bodies

11. These are:-

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u> <u>Outturn</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
PO Telephonists	32	27	-15.6	29	+ 7.4
Contract cleaning	32	32	-	40	+25.0
Fee payments	140	160	+14.3	173	+ 8.1
Treasury Security Guards	373	365	- 2.1	374	+ 2.5

The Telephonist costs represent our share of the Whitehall CBX system. The fluctuations are due largely to the pattern of billing. A new and cheaper cleaning contract has now been negotiated. The overall increase on this service between 1981-82 and 1983-84 will be about 12.5 per cent (not 25 per cent).

12. During 1982-83 additional fees were incurred as a result of the Falklands crisis eg to Sir Michael Palliser and to members of the Shackleton Committee. In 1983-84 provision is included for the Advisory Council for Applied Research and Development to employ outside consultants in support of some studies, and for the Central Statistical Office on studies of public corporation accounts and for the purchase of market research.

## Capital Costs

13. Expenditure on capital items varies significantly from year to year according to needs as the following table shows:

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u> <u>Outturn</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
Telecommunications	-	35	-	60	+71.4
Office Machinery	44	38	-13.6	42	+10.5
Computers	2065	350	-83.1	547	+56.3





The increase under Telecommunications is for equipment for the Cabinet Office Briefing Room and for the proposed hardened defence centre in MOD.

14. On computers the major enhancement of the mainframe took place in 1981-82. Since then a phased programme for the purchase of items to improve and extend the service to meet user needs has been implemented.

Receipts

15. The significant item is the notional receipts for the computer service provided by the Central Statistical Office to the Treasury, £1,220,000 in 1983-84.

16. The Cabinet Office will continue to seek ways to minimise and reduce its running costs. Although the Office was not one of the Departments specifically charged with implementing the Financial Management Initiative, it will be applying the general principles of the FMI to the fullest extent practicable.

RIA

ROBERT ARMSTRONG

5 May 1983

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6 MAY 1985



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10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

I have shown the Prime Minister your minute A05766 of 21 October 1981 and she has noted what you say about the staff savings you expect to make from the introduction of word processors in the Cabinet Office.

JW.

27 October 1981

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Ref: A05766

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MR. WHITMORE

Following my minute A05584 of 21st September which reported the outcome of my detailed scrutiny of the Cabinet Office's running costs, you minuted me on 23rd September saying that the Prime Minister had asked about staff savings from the introduction of word processors.

2. As I told the Prime Minister when she raised the matter with me orally, there certainly will be staff savings from the introduction of word processors, though not always or necessarily in the year in which they are introduced. This equipment will increase the productivity of our main typing pool and will help us to meet the requirements for the production of Cabinet Committee papers and minutes, often against tight deadlines. We expect to save two typists from the machines already installed and there is potential for further savings later.

2.  
Prime Minister  
JMS  
2/10  
HMB

RA

Robert Armstrong

21st October 1981

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*Civil Service* *DSG*



10 DOWNING STREET

*From the Principal Private Secretary*

*BF*

SIR ROBERT ARMSTRONG

The Prime Minister has seen your minute A05584 of 21 September 1981 reporting the outcome of your detailed scrutiny of the Cabinet Office's running costs.

She has read this carefully and her only comment is that she assumes that you will make staff savings from the introduction of word processors. I should be grateful if you could let me know how many posts you expect to save in this way.

C. A. WHITMORE

23 September 1981

*Sp*

Prime Minister

I assume we shall  
make staff savings from  
the word-processors?

This report on the Cabinet Office's  
running costs for 1981/82 does not look  
too bad. Some of the detailed increases  
are large but these are all explained.

Ref. A05584  
PRIME MINISTER

JML

22/8

Following the Cabinet decision last autumn that it should have an annual statement of the costs of running central Government, your Private Secretary confirmed in his letter of 9th May 1980 that you were content for me to undertake the detailed scrutiny of the Cabinet Office's running costs and to provide you with a statement about the outcome. The first scrutiny in 1980 was carried out as a pilot scheme. For 1981 a number of changes have been made in the way the information is presented, the main one being that capital costs are shown separately to avoid the distorting effect which large and irregularly occurring expenditure can have on interdepartmental comparisons. Costs are considered under the following headings:-

- A. Wages and Salaries
- B. Personnel Overheads
- C. Accommodation Costs
- D. Office Services
- E. Other Services
- F. Capital

I have completed my detailed scrutiny, and the following is a summary showing how Cabinet Office costs have moved under these headings, on the basis of the outturn for 1979-80, the provisional outturn for 1980-81 and the estimates for 1981-82. All figures are at current prices.

#### Staff Costs

2. The major factor bearing on our running costs continues to be staff numbers; almost 84 per cent of the total provision in the Cabinet Office Vote is for direct staff costs. As I said during the pilot exercise, by making staff savings we are tackling by far the largest expenditure item in the cost of running the Office. At the start of 1979-80 our staff total was 635; the average number during 1980-81 was 575 and should fall to 564 during 1981-82. The recommendations for staff reductions which flowed from the Rayner study of the Central Statistical Office are



being implemented, and we are well on course to achieving our agreed 1st April 1984 target of 545 (increased from 540 to provide for the Ministerial decision to establish the Information Technology Secretariat).

3. All areas of the Office have contributed to staff savings and we are seeking to make further reductions in several ways. My Establishments Branch are co-operating with the Information Technology Secretariat in seeking to extend the use of new technology within the Office, both in terms of developments which may have a potential interdepartmental use and, more directly, in the provision of word processors which should in time improve the cost-effectiveness of the way we use our staff. Five processors will be installed during 1981-82. We have completed a review of our messengerial services, and there is scope to achieve significant savings. In view of these developments and the very close watch which I arranged to keep on staff numbers generally, I am confident that we can achieve - perhaps even do better than - our 1st April 1984 target while maintaining an acceptable standard of service to Ministers.

4. Our total vote expenditure on wages and salaries is:-

1979-80 Outturn	1980-81 Provisional Outturn	1981-82 Estimate Estimate	1980-81 to 1981-82 Difference + or -	% Difference + or -
£4,562,811	£5,640,355	£6,058,000	+£417,645	<u>+7.45</u>

Within the overall increase of 7.4 per cent the provision for salaries of permanent staff increased by 5.7 per cent; for Service officers and secondees by 17.1 per cent and employer's national insurance contributions by 18.3 per cent. On present evidence our overtime bill for 1981-82 will be about 5.9 per cent up on 1980-81. These figures exclude a notional pension and gratuity liability which is about £1 million in 1981-82.

#### Personnel Overheads

5. The pattern of expenditure is:-

1979-80	1980-81	1981-82	Difference
£126,355	£107,769	£169,010	+£61,241 +56.8%

These amounts include minor sums for entertainment, removals, protective clothing etc. The major items are external training, travel and subsistence, and catering subsidies. This is an area where expenditure does not follow a consistent

pattern, and costs can vary widely between years. Travel and subsistence, which accounts for 75 per cent (£126,000) of the total provision for 1981-82, was about 20 per cent lower in 1980-81 than in 1979-80, because our travel commitments were significantly less that year. For 1981 we have needed to provide for additional travel, e.g. to the Economic Summit in Ottawa (and the preparatory meetings which that entailed), to the Commonwealth Heads of Government Meeting in Australia, and to Europe because of the United Kingdom Presidency. I have introduced a system of budgetary control on travel costs for each of the main areas in the Office. The preparation of these budgets and their subsequent monitoring is done with care.

6. The current provision for external training at £10,400 is broadly unchanged from 1980-81. On catering subsidies Departments are now required to meet a proportion of the costs which previously fell to the CSD; as a result the current provision - some £17,000 - is about £13,000 higher than in 1980-81; this is an accounting increase.

#### Accommodation

7. The Department of the Environment has advised us that the costs of the accommodation services (rates, maintenance, fuel, furniture and fittings etc.) which we shall consume in 1981-82 is £657,436. In addition they have also advised a notional equivalent market rent of £994,318. This reflects the high value of our Whitehall site. Because DOE have changed the basis of calculating these costs it is not possible to draw comparisons with earlier years. But there has not been any change in our accommodation, and we continue to take care to ensure that facilities are used in the most economical way. The reduction in our numbers offered scope for reducing the accommodation we occupy and we had planned to use vacant space in Whitehall to withdraw the Historical Section from Hepburn House in Marsham Street. This may now need to be reviewed.

#### Office Services

8. The range and pattern of the expenditure involved is:-





	1979-80 £	1980-81 £	1981-82 £	Difference £	
Telecommunications	159,036	255,794	322,300	+66,506	+26%
Postage	9,158	14,592	19,000	+4,408	+30.2%
HMSO (stationery, copying, printing, publications, office machinery, etc.)	305,380	329,909	360,000	+30,091	+9.1%
Administrative Computers	197,251	205,233	375,000	+169,767	+82%
Miscellaneous Expenses (Library, WNC, ACARD, etc.)	39,978	38,357	40,400	+2,043	+5.3%
<u>Telecommunications</u>					

9. Of the current provision (£322,300) 86 per cent is attributable to CBX charges and the secure speech system, the remainder to the Telecommunications Secretariat. Installation of the secure speech system began in 1980-81 and the outturn for that year includes a special charge of £50,000 for this. The whole of the 26 per cent increase (1981-82 over 1980-81) is due to the increased charges by British Telecom which we have no recourse but to meet. These are essential services and we have to pay the costs of maintaining and servicing them. Staff are reminded about the need for economy in their use, and we have achieved a small reduction in the number of telephone extensions (591 to 575) in the past year.

#### Postage

10. The 30.2 per cent increase in postage stems from the change to public postal methods on 1st April 1981; since then the Office has paid the full public rates. The use of first class post is kept to a minimum. As all costs are at current prices, the 9.1 per cent increase in HMSO type expenditure represents no increase in volume terms. In 1980 we reviewed our ordering and control procedures for stationery, publications etc. to ensure that they operated with the maximum of economy and a number of changes to tighten control were introduced.

#### Administrative Computers

11. During the current year the computer which serves both the Treasury and the Central Statistical Office is being enhanced. Slightly more than half the £170,000 increase in this area relates to the increased software, consumables



and maintenance needs of the larger computer. Additionally the Cabinet Office has assumed financial responsibility (at about £78,000) for maintaining certain software systems previously funded by the CSD. The scope of the services which we are supporting in 1981-82 is therefore considerably wider than those for which we were responsible in 1980-81.

#### Miscellaneous Expenses

12. There has been no significant change in the general volume of these services, which involve only a modest level of expenditure.

#### Other Services

13. These include office cleaning; the cost of the Treasury Security Service (£375,000) which patrols and guards 70 Whitehall on a 24-hour-a-day basis; Post Office telephone operators (£28,000); fee-paid staff (£117,000) and agency services (£12,000). The pattern of expenditure is:-

1979-80	1980-81	1981-82	Difference	
£334,564	£407,836	£565,000	+£157,164	+38.5%

14. The main cause of the considerable increase in the current year provision is the Treasury decision to recover (quite legitimately) not just the straight salary cost of their Security Guards but the full cost, i. e. including overtime, superannation, employer's contributions etc. There has been no change in the level of service, only in the method of calculating the charge. I have called for a review of the arrangements for guarding the building. Some minor changes leading to modest savings may be possible; but it is essential to retain a clearly adequate security cover with sufficient back-up support. The charges which are levied on us for both the CBX and the Federal telephone services have risen sharply in 1981-82. I have no control over these increases, but I shall be reviewing Cabinet Office use of the Federal service to see how far it is necessary in addition to the CBX service. There has been no general increase in the use we make of fee-paid staff in 1981-82, but our use of agency services has been greater than estimated, and we shall need to cover any additional expenditure by savings elsewhere.



Capital Expenditure

15. Expenditure in 1980-81 was low at about £70,000. For the current year Ministerial approval was given to the enhancement of the Treasury/CSO computer and associated equipment at an estimated cost of £2,358,000. Work on installing the new equipment is in progress. Provision was also made for the purchase of word processors and the total 1981-82 capital expenditure estimate is £2,404,000.

Non-Cabinet Office Expenditure

16. Apart from accommodation services provided by DoE, certain other services are provided to the Cabinet Office by various Departments the costs of which are borne on their Votes, ie Paymaster General's Banking Service, Civil Service Department Payroll services, COI services, Security and accommodation services to the Central Statistical Office and Records Section who are located in the main Treasury building and PSA transport services.

17. The pattern of this expenditure by other Departments on our behalf is:-

1979-80	1980-81	1981-82	Difference	
£295,074	£341,562	£403,721	+£62,159	+ 18.2%

The transport services include the vans used for the transit of Cabinet documents, etc; we are reviewing this use as part of our study of messenger services. There has been an increase in the Payroll Service provided by the Civil Service Department, which could lead to some staff savings in our Establishment Section. The calls which we needed to make on COI services in 1980-81 were considerably reduced during the review that year of our statistical services, and the costs for 1980-81, therefore, fell considerably. The provision for COI services in 1981-82 is some 7 per cent higher than that provided for 1980-81.

18. The Cabinet Office Vote itself (which is also our cash limit) totals £10,284,000 including capital expenditure of £2,404,000. I shall review our progress against the Vote as soon as the half-yearly outturn figures to 30 September 1981 are available. On present evidence the rate of expenditure is in line with the Vote provision.

RA

ROBERT ARMSTRONG

21 September 1981

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*See R.H  
Curt sum*

10 DOWNING STREET

*From the Private Secretary*

MR WRIGHT  
CABINET OFFICE

The Prime Minister has seen a copy of Sir Robert Armstrong's minute to me of 28 October (A03331) about the Cabinet Office staff costs.

She does not dissent from his comments on the Cabinet Office performance, and she has noted that cost increases were significantly lower than the average pay increase.

The Prime Minister has, however, commented once again that she is disappointed by the limited savings so far in respect of the Central Statistical Office. She raised this point earlier in the week over a suggested answer to a PQ.

I understand that the results of the Rayner study of Government Statistical Services should be available fairly soon, and I hope that we can let this point rest until then.

*MA*

31 October, 1980

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*RB*

Can we do more  
with CSO? We have  
very much to do  
with  
we had reduced a lot of staff  
the other day. I think we  
we had a lot of staff  
we had a lot of staff

Prime Minister  
Robert Armstrong's reaction to  
your comment on Cabinet  
Office cost increases.  
Are you willing to  
endorse "x"?

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Ref. A03331

MR. PATTISON

MA 28/10

Thank you for your minute of 16th October to Mr. Wright, conveying the Prime Minister's agreement that I might submit an analysis of Cabinet Office costs to Mr. Channon, as part of the exercise on the annual costs of running Central Government.

2. I am sorry, though, that she interprets a staff costs increase of 22.1 per cent - which is the latest estimate for 1980-81 over 1979-80 - as meaning that the Cabinet Office is not offering a good example to other Departments. We really are trying quite hard.

3. Staff costs depend directly on two things - the number of staff employed and the amount they are paid. As far as the Cabinet Office is concerned, I bear a considerable responsibility for the former, but none at all for the latter: the wages and salaries of all our staff are centrally determined. In percentage terms pay increases in 1979-80 were high, and they were increased by awards deferred from earlier periods. As a result the average increase in pay was over 30 per cent. We managed to reduce the cost increase by bringing down our numbers by 25, and we intend to do more in future. We shall be cutting staff numbers by 15 per cent between 1979 and 1984 as our contribution to reducing the size of the Civil Service. The Cabinet Office is a small organisation, and many of its functions (Secretariat, CPRS, Intelligence Services, and the European Secretariat) offer limited scope for savings if we are to maintain standards of service to Ministers. But I am determined that the Cabinet Office should do, and I believe that it is doing, all it can, commensurate with maintaining a reasonable standard of service to Ministers, to reduce its numbers and hence its staff costs. I should like to think that the Prime Minister thinks so too.

RA

(Robert Armstrong)

28th October, 1980

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JS



10 DOWNING STREET

*From the Private Secretary*

MR. WRIGHT

The Prime Minister has seen Sir Robert Armstrong's minute (A03215), about the proposed contribution from the Cabinet Office to the CSD exercise on the annual costs of running central government.

The Prime Minister is content that Sir Robert Armstrong should submit to Mr. Channon an analysis of the Cabinet Office's costs on the basis he proposes. She has, however, commented that a staff costs increase of 28.3 per cent, or even of 22.1 per cent, means that the Cabinet Office is not offering a good example to other Departments.

WAP

KRB

16 October 1980

Plus an increase of 28.3% in staff costs means that we are not a good example to other departments.

1.

Prime Minister (through CAW)

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Ref. A03215

PRIME MINISTER

Content for Sir Robert Armstrong to report in Cabinet Office. Costs to CSO as summarized below? Key figures are in pt. paras 5+6. MAF 15/1x

Following the Cabinet decision last autumn that it should have an annual statement of the costs of running central government, the Minister of State, Civil Service Department, wrote to departmental Ministers outlining the information he would require to enable him to carry out his remit from the Cabinet. The new procedure - based on advice from Sir Derek Rayner - required departmental Ministers to scrutinise the cost of running their departments and to submit an analysis of the cost with a commentary summarising the nature of the scrutiny which has been carried out. The scrutiny exercise for the current year is to be regarded as a pilot run and it was recognised that there would be some rough edges. A more developed procedure will operate in future years.

2. In his letter of 9th May 1980 your Private Secretary confirmed that you were content for me to undertake the detailed scrutiny of the Cabinet Office's costs and to provide you with a statement about the outcome. Costs were to be considered under the following headings:-

- A. Staff
- B. Other Services
- C. Personnel Overheads
- D. Office and Other Accommodation Costs
- E. Office Services
- F. Other non-office Expenditure

I have completed my detailed scrutiny and a summary showing how Cabinet Office costs have moved, under these headings and over the period recommended by Sir Derek Rayner, is given in the Annex.

Staff Costs

3. About 83 per cent of the total provision in the Cabinet Office Vote is for direct staff costs (salaries, wages and employers' contributions). In making staff savings we are, therefore, tackling by far the largest expenditure item in the cost of running the Office. During my scrutiny I have reviewed the plans we



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have for achieving the staff savings which have already been offered. All areas of the Office will be contributing, but the major saving will arise from the comprehensive 'Rayner' scrutiny of the functions, organisation and staffing of the Central Statistical Office about which I minuted you on 11th August 1980 and which is now under consideration. The CSO absorbs about 40 per cent of our total strength; the 'Rayner' scrutiny will, therefore, establish a firm base from which to control the staff costs of a major section of the Cabinet Office.

4. I am looking to new technology developments to improve the cost effectiveness of the way we use our staff, and we are extending our use of word processors, initially in the common service areas. These developments in the Cabinet Office will be a long term process and I am sure it is right to invest in them.

5. Part A of the Annex shows that our staff numbers will fall by 25 (4) per cent between 1979-80 and 1980-81. This comparison does not indicate the full extent of the downward trend. Between your Government taking office and 1st April 1984 (the end date of the 630,000 exercise) our plans imply a total reduction of about 95 posts (635 to 540), almost 15 per cent. Many of these posts should be saved well before 1st April 1984. With a complement of 540, given its present role and functions, the Cabinet Office will, I believe, be a lean and taut organisation; I hope and believe that it will be able to continue to provide an effective service to Ministers collectively and you in particular.

28.3  
mm

6. Part A shows that on the basis of a comparison between the outturn for 1979-80 and the estimate provision for 1980-81 our staff costs increased overall by 28.3 per cent (all costs are at current prices). This level of increase reflects the application of central salary and wage awards. Our latest forecast of expenditure indicates a shortfall against provision of about £340,000, due partly to carrying vacancies but mainly to an inadvertent double estimate of overtime. On the basis of this shortfall our outturn on staff costs would be 22.1 per cent higher in 1980-81 than in 1979-80.





CONFIDENTIAL

7. Part B (Other Services) includes the cost of fee paid staff and payments to other departments. A major item is £109,000 to HM Treasury for our security guard service. The rate of expenditure is broadly in line with the estimates provision, and overall in this area costs are likely to be up 15.8 per cent on 1979-80.

8. Part C (Personnel Overheads) includes minor sums for entertainment, staff removals, uniforms, etc. About 80 per cent of the £141,000 provision is for travelling and subsistence costs, where the 1980-81 provision is up about 25 per cent on the 1979-80 outturn. This reflects the increased costs of of subsistence allowances and a small increase in travel costs imposed by our commitment to international meetings. The increase overall in this area is only 15.8 per cent and for all items the level of expenditure is broadly in line with the estimates provision.

9. The figures shown in Part D (General Office Accommodation) are those which have been notified to us by the Department of the Environment as the cost of the accommodation services we consume. But the Office plays an important part in ensuring that the staff use the facilities in an economic way. The reduction in our numbers offers scope for reducing the accommodation we occupy and we plan to do this by moving the Historical Section out of Hepburn House in Marsham Street, thus concentrating all the staff in the Treasury building and 70 Whitehall.

10. Part E (Office Services) covers a wide range of items, the main ones being:-

Telecommunications Services

The allocation for 1980-81 is £309,000; two-thirds is attributable to CBX charges, the remainder to the Telecommunications Secretariat. The 1980-81 allocation includes a special charge of £80,000 for installing the secure speech system.



CONFIDENTIAL

HMSO Services (office machinery, stationery, printing, publications)

The allocation for 1980-81 is £316,000, which appears to be about 2 per cent up on the outturn for 1979-80. Before 1st April 1980 these items were provided by HMSO as an allied service. Now that the costs are borne on the Cabinet Office Vote I have called for a special exercise aimed at ensuring that our ordering and control procedures for stationery, publications, etc., are operated with the maximum economy.

Computer Services

The allocation for 1980-81 is £310,000. No valid comparison can be made with the outturn for the previous year because there was major capital expenditure in 1979-80. Our computer is located within the Central Statistical Office, and it also provides a service to the Treasury. Following a recommendation from the 'Rayner' scrutiny team our future computer needs are the subject of a detailed study which is now in progress.

11. The rate of expenditure in the items under Office Services are all broadly in line with the estimates provision. Part E of the Annex shows that, overall, costs in this area will fall by 41.8 per cent compared to the 1979-80 outturn, but this is more than wholly accounted for by the effect of the capital expenditure on computers in the earlier year.

12. I shall carry out a further review of Cabinet Office costs as soon as the outturn figures to December 1980 are available. If any significant departures emerge from the trend I have outlined above, I will report to you again.

13. I should be glad to know if you are content for me to submit an analysis of the Cabinet Office's annual running costs to the Minister of State, Civil Service Department.

REA

(Robert Armstrong)

14th October, 1980

## CABINET OFFICE GROSS DEPARTMENTAL EXPENSES

	1978/79	1979/80	1980/81	1979/80	1980/81	Remarks
				+ or -	% change	
A STAFF	Outturn	Outturn	Provision in Estimates			
Average numbers of permanent staff	645	618	593	-25	-4.0	
Cost of wages and salaries, overtime & employers NI Contributions	4,296,547	4,773,521	6,135,000	+1,361,479	+28.5	All costs A to E at current prices
Pension and gratuity liability (notional cost)	689,783	758,714	960,260	+ 201,546	+26.6	
TOTAL	4,986,330	5,532,235	7,095,260	1,563,025	+28.3	
B OTHER SERVICES						
Includes cost of fee paid staff & services provided by other departments						
TOTAL	126,707	234,006	271,054	+ 37,048	+15.8	
C PERSONNEL OVERHEADS						
Includes, entertainment, staff removals, uniforms and travel and subsistence costs						
TOTAL	97,473	122,304	141,600	+ 16,296	+15.8	

CABINET OFFICE GROSS DEPARTMENTAL EXPENSES

	1978/79	1979/80	1980/81	1979/80	1980/81	Remarks
				+ or -	% change	
	Outturn	Outturn	Provision in Estimates			
D GENERAL OFFICE ACCOMMODATION COSTS  Includes notional equivalent market rents and costs borne on DOE Vote ie, heating, lighting, maintenance, furniture, fittings						
TOTAL	NA	1,483,789	2,047,513	+563,724	+38.0	
E OFFICE SERVICES  Includes, telecommunications, computer and HMSO services						
TOTAL	657,842	2,091,503	1,217,150	-874,353	-41.8	
GRANT TOTAL A - E	5,868,352	9,463,837	10,772,577	+1,108,740	+13.8	

FILE

*Civil  
Service*

MR. WRIGHT  
CABINET OFFICE

The Prime Minister has seen Sir Robert Armstrong's minute (A02505), about the plans proposed for the Cabinet Office as a contribution to the reduction of the Civil Service to about 630,000 by 1 April 1984.

She is content for Sir Robert to provide information to the C.S.D. and to Sir Derek Rayner on the basis set out in the annex to his minute.

M A PATTISON

7 July 1980

*VLB*

4.

PRIME MINISTER

---

Here is Robert Armstrong's submission to you about the scope for further staff cuts in the Cabinet Office.

---

His initial conclusion is that there could be scope for a reduction of around 29 posts, in addition to savings to which the Cabinet Office is already committed. The further reductions would be around 5 per cent on current staffing levels.

Agree that Sir Robert may work on the basis set out in Annex A in discussions with the CSD and Sir Derek Rayner, following up the Cabinet decision about long-term Civil Service manpower targets?

Yes      MJD

4 July 1980



Ref. A02505

PRIME MINISTER

---

The Lord President has asked all Ministers in charge of Departments to send to the Civil Service Department and Sir Derek Rayner an outline of their plans for reviewing functions and improving efficiency as part of the exercise to reduce the size of the Civil Service to around 630,000 by 1st April 1984. I am putting this submission to you, in your capacity as my Departmental Minister, about the plans proposed for the Cabinet Office and the contribution it might make to this exercise.

2. There is no uniform target which a Department must achieve; reductions can be applied flexibly, so long as overall Civil Service numbers drop by 55,000 - 8 per cent of staff in post. We are asked for a provisional view of the reductions we can make up to April 1984, with more detailed thinking about 1981-82, and to give:

- (a) An indication of the broad areas where it is proposed to look for new savings divided between:
  - (i) simplification of functions and other efficiency savings;
  - (ii) abolition and reduction of functions; and
  - (iii) "privatisation".
- (b) Any significant new legislative requirements.
- (c) The possible scale of staff surplus.

3. The Cabinet Office is in a different position from other Departments, as you agreed in an earlier manpower exercise (cf. Mr. Whitmore's minute of 24th July 1979). The Cabinet Office in the main does not have functions which can be dropped; it supplies a service both to Ministers collectively and to you in particular. Any savings in staff can therefore be achieved only through greater efficiency and perhaps by reducing still further the level of effort deployed on some functions. There is no scope for "privatisation"; nor can we foresee any significant legislative requirement which could materially affect the number of staff we need. Any reductions in numbers would be unlikely to lead to staff surpluses.



4. In such a small Department the scope for further staff reductions is severely limited by savings already made and those to which we are already committed, namely:

- (a) Some 30 posts arising from the 3 per cent savings in the 1979-80 cash limits as a contribution to pay awards.
- (b) A further 13 posts also from a 2½ per cent saving in cash limits starting in 1980-81.
- (c) A further 35 posts arising from changes which you approved under the Lord President's options exercise.

The savings under (c), together with other economies we were able to offer, represent some 7.3 per cent of our 1979 wage and salary costs: a figure which, I am bound to say, stands comparison with the percentages achieved by some other and larger Departments.

5. If we are not to prejudice the standard of service which the Office provides, there is in the main little scope for further savings, except perhaps in the Central Statistical Office and in our common services. This is not to say that the services they provide are any less essential than those provided elsewhere - indeed the common services sections are crucial to the effective operation of the Cabinet Office. But relatively large numbers of staff are engaged on the work, and it uses equipment and procedures which should be capable of improvements leading to productivity gains. Steps have already been taken in both areas which will lead to further staff savings. A "Rayner" study of the whole Central Statistical Office has just been completed and the recommendations are being studied. The CSD are studying the possibilities for Word Processors in our Main Typing Pool.

6. Annex A lists the areas of the Office and indicates the savings to which we are already committed under the options exercise. It also shows the plans we are following and the possible extent of further savings. The figures are very provisional, and we cannot be committed to them at this stage. They provisionally suggest reductions of 29 posts in all, which is about 5 per cent. I should be glad to know if you are content for me to provide information to the CSD and Sir Derek Rayner on the basis set out in the Annex.

REA

ROBERT ARMSTRONG





The Cabinet Office

1. The Secretariat has a staff of 20. Under the options exercise a Deputy Secretary post in the Home and Social Affairs Secretariat is being given up (on 30th June 1980), and an Assistant Secretary will be introduced to underpin the Under Secretary who will then head the unit.

Scope for further savings: review the need for Principal level posts in the Economic, Industrial and Scientific Affairs Secretariat; in particular the interface between the Secretariat and the CPRS on work relating to the Advisory Council on Applied Research and Development (ACARD). Possible saving of 1 Principal level post in 1980-81.

2. The CPRS is a small multi-disciplinary unit of 18 people. A reduction of 3 posts under the options exercise.

Scope for further savings: review work on ACARD see 1 above.

3. European Secretariat is a unit of 8 people. Saving of 1 Principal post under the options exercise.

Scope for further savings: none.

*Why? Surely we can reduce no. of the 4 sub-units.*

4. JIC and Assessments Staff has a staff of 27. Saving of 4 posts under the options exercise in the economic assessment area.

Scope for further savings: none, without risk of serious loss of capacity to assess the product of intelligence and disseminate the results to the Departments concerned.

5. Official Histories have a permanent staff of 7. Saving of 2 posts under the options exercise.

Scope for further savings: none.

6. Women's National Commission. The Office provides the Secretariat which has been increased from 2 to 3. No scope for reductions.

7. Common Services - includes Committee and Distribution Sections, Messengerial, Typing and Reprographic Services. Total staff: 209. A saving of 4 posts under the options exercise.

Scope for further savings: the operations of the Cabinet Office depend crucially on a large, fast and reliable typing service and an effective Common Services area generally. But word processors offer the prospect of real savings



of effort and time when problems of security and personnel are overcome. A CSD study of the possibilities is in process.

Looking further ahead, other possibilities in the electronic office systems field will become available and the Office will wish to arrange for studies to be undertaken particularly in the Committee and Distribution areas.

It is difficult to quantify the scope for further savings, but we have included a notional 10 posts spread 2 in 1981-82, 4 in 1982-83 and 4 in 1983-84.

8. Central Statistical Office has a staff of 237. A saving of 21 posts under the options exercise.

Scope for further savings: a "Rayner" study aimed at securing the best means for the continuing scrutiny and control of the need for and cost of individual statistical services has just been completed. The prospects for further cuts must be strongly influenced by this study, the findings of which are now being evaluated.

For the purposes of the manpower exercise we have assumed a further cut of 8 per cent - which amounts to 18 posts - spread 4 posts in 1980-81 and 1981-82 and 10 in the remaining two-year period of the exercise. Both the totals and the distribution are necessarily highly speculative at this stage.

#### Summary of Further Savings

	1980-81	1981-82	1982-83	1983-84
No. of posts	5	6	9	9

2 - JUL 1980



[Faint, mostly illegible text, possibly bleed-through from the reverse side of the page]



Free

255  
Court Mail

MR. WRIGHT

CABINET OFFICE

The Prime Minister has seen Sir Robert Armstrong's minute (Ref: A02108) to Mr. Whitmore of 7 May, about the scrutiny of annual costs exercise in respect of the Cabinet Office.

She is content with Sir Robert's proposals for handling this.

M. A. PATTISON

9 May 1980

KAB



PRIME MINISTER

Agree arrangements at X  
for annual scrutiny of  
Cabinet Office costs?

MAR 81

Ref. A02108

MR. WHITMORE

See  
Govt. Mach  
Rayner:  
Pt 5.

Following the Cabinet decision last autumn that it should have an annual statement on the cost of running central Government, the Minister of State, Civil Service Department, wrote on 22nd April to departmental Ministers, with a copy to the Prime Minister, outlining the information he would require to enable him to carry out his remit from Cabinet. The new procedure requires departmental Ministers to scrutinise the cost of running their Departments and to submit an analysis of the cost with a commentary summarising the nature of the scrutiny which has been carried out. The scrutiny exercise for the current year is to be regarded as a pilot run, and departmental returns are to be submitted until the end of September. For future years, the returns will have to reach the Civil Service Department by the beginning of June.

X 2. Since the Prime Minister is the responsible Minister for the Cabinet Office, I am sure that she will wish to be involved in the scrutiny of the Cabinet Office's costs. I propose, if she is content, myself to undertake the detailed scrutiny, and to provide her with a statement about the scrutiny I have undertaken and about any proposals I have for more detailed scrutiny of particular areas before submitting the return to the Civil Service Department.

LONDON  
RE A

(Robert Armstrong)

7th May, 1980

ГОИДОИ

Содержание

57 MAY 1980



CONFIDENTIAL

Civil Service



10 DOWNING STREET

*From the Principal Private Secretary*

SIR JOHN HUNT

CABINET OFFICE STAFF REDUCTIONS

The Prime Minister has seen your minute AO410 of 15 October 1979 and agrees that you should submit to the CSD the further reductions in the staff of the Cabinet Office set out in your minute.

You might like to know that the Prime Minister commented: "I am very grateful for the cooperation received."

C. A. WHITMORE

17 October 1979

CONFIDENTIAL

Ref: A0410

CONFIDENTIAL

MR. WHITMORE

Prime Minister.  
These proposals still leave the Cabinet Office's staff savings well short - at 7.3% - of the 10% target, though there may be some more to be had from the review of the Statistical Service which Lord Cockfield has suggested. The difficulty about making bigger cuts is that the Cabinet Office is already very small. Are you content for these proposals to go forward?  
At 15%

In your minute of 13th September you said that the Prime Minister would like me to consider what further steps might be possible in the Cabinet Office to increase our contribution towards the reductions in the Civil Service.

2. Our original submission to the CSD was for a cut of 6.6 per cent (i.e. £304,000) but since then we have had to consult Departments about those options which affect them. As a result I have concluded that, while we can cut most of the economic side of the Assessments Staff, we will have to retain a very small capability here to produce a few economic assessments mainly on Warsaw Pact countries: not to do so would only result in other Departments producing them at greater expense. It is also now clear from the use being made of the CPRS (for whom we had put forward alternative options of cutting (a) 2 Advisers and (b) 4 Advisers) that we will only be able to give up 2 Advisers plus 1 Personal Secretary and not the 4 Advisers on which the 6.6 per cent cut was calculated: relying more on outside consultants would be a much more expensive course. These changes taken together make a difference of some £27,000 to our proposed savings and reduce our cut back to 6 per cent.

To cut the CPRS more heavily might also make it more difficult to attract an outside to succeed Sir Kenneth Berrill.

3. To achieve further savings in the Secretariat and support staff without detracting seriously from the service to Ministers is extremely difficult. Nevertheless having reviewed the matter very carefully in the light of the Prime Ministerial request, I am ready to propose that we -

(a)	Reduce the European Secretariat by 1 Principal	£9,000
(b)	Reduce the Typing Services by 2	£5,000
(c)	Use the space caused by the cuts in 70, Whitehall to move the Historical Section from Marsham Street to Whitehall thus saving 2 Messengers	<u>£6,000</u>
	Total	<u>£20,000</u>

4. I have also given instructions for the CSO to increase its saving from £160,000 to £200,000 i.e. just over 12½ per cent. Mr. Boreham is very reluctant to do this but is ready to accept the position. It is not possible at



CONFIDENTIAL

this stage to say precisely how this will be done but we think it can be achieved by 1982 by more efficient structure and management of the six central economic branches of the CSO and the computer. In addition Lord Cockfield has just written to Mr. Channon suggesting a wider review of the whole of the Government Statistical Service in the light of cuts on "statistics" which other Departments are offering. We are in touch with the CSD about this and Mr. Boreham is inclined to go along with the proposal. Depending on the result of this it is possible that we shall find that we shall be able to make greater cuts in the CSO. But this remains to be seen.

5. These additional savings of £60,000 bring our total to £337,000 which represents a cut of 7.30 per cent.

6. If in the light of Sir Leo Pliatzky's report on quangos the WNC were to be abolished our savings would rise to £355,000 i.e. 7.7 per cent.

7. If the Prime Minister approves these further reductions I will submit them to CSD.

*John*  
(John Hunt)

*Thank you. I am very grateful for  
the cooperation received*

15th October 1979



B/F 24-9-79  
J  
stet  
Civil Service

10 DOWNING STREET

*From the Principal Private Secretary*

SIR JOHN HUNT

CIVIL SERVICE MANPOWER

At Cabinet on 13 September the Prime Minister expressed disappointment with the progress so far made on Civil Service manpower reductions and asked all Ministers who were not offering savings of at least 10 per cent to re-examine their proposals in consultation with the Lord President.

This means that she must ask you to look again at the Cabinet Office's proposed savings. She recognises that your minute of 20 July listed proposals which would save 10 per cent and that she did not think it possible to put forward all of them to the C.S.D. She did, however, say then that she thought a cut of at least 10 per cent should be possible in the C.S.O. She would therefore be grateful if you would consider what further it might be possible to do in the Cabinet Office generally and with particular reference to the C.S.O.

C. A. WILKINSON

13 September 1979

original a  
Civil Service Reductions, Pt 2.

See P. 3.

cc Mr. Wolfson  
Sir John Hunt

*Civil Service*

NOTE FOR THE RECORD

Lord Soames and Mr. Channon called on the Prime Minister at 1500 hours today to discuss the handling of Lord Soames' paper on "Further action to reduce the size of the Civil Service" when it is taken in Cabinet on Thursday. Mr. Wolfson was also present.

Lord Soames said that he had been appalled by the inadequacy of Departments' returns on the Civil Service options exercise. He could not believe that, as their returns implied, no less than 95 per cent of the work which the last Government thought fit to undertake should continue to be considered as essential. It was essential, in his view, that the Government should be aiming for a minimum of 10 per cent cuts in the Civil Service in money terms by 1982/83. But in order to achieve this, it would be necessary for the large Departments - particularly MOD and the Treasury Departments - to come up with bigger savings. He proposed that there should be a small group of Ministers on the lines of MISC 11, which would look at Departments' proposals critically, and make suggestions for further consideration in Cabinet. Before this got underway, the CSD would make suggestions to Departments as to where further Civil Service cuts might be achieved.

The Prime Minister said that she fully supported the Lord President in his general approach. She agreed that 10 per cent should be a minimum for the Civil Service cuts and that a small group of Ministers should be established following Cabinet. The membership of the Ministerial Group should be considered further, and she would discuss this with the Chancellor before Cabinet. Lord Soames said that the Treasury had offered Lord Cockfield; in addition, he himself and Mr. Channon should be members of the group, and possibly Sir Keith Joseph, and Mr. Jenkin or Mr. Nott (though he was going to be away for much of the time when the group

/would be

would be meeting). Lord Soames went on to say that the group would need help from officials. CSD were not particularly well equipped to look critically at Departments' efficiency and activities. It would be very helpful if the group could be assisted not only by the Cabinet Office (who would no doubt co-ordinate the work) and the CSD, but also by the Treasury. Thus, the Treasury Under-Secretary responsible for expenditure by the Department being considered might helpfully attend the meeting in question.

The Prime Minister said that she was sure there was much inefficiency and unnecessary work in Departments which spending Ministers had failed to uncover in the exercise so far. In her recent visit to the North West, she had been struck by the amount of what appeared unnecessary work which the DOE Regional Office were doing. She thought that MOD should be able to find major savings - perhaps by putting some of their maintenance staff into uniform and thereby achieving greater efficiency. Lord Soames interjected that he would like to close down at least one dockyard, and several Defence research establishments. He was also confident that greater savings could be found in the Treasury Departments. In fact, he had information that the Revenue had advised the Chancellor that larger savings than the 6.6 per cent offered could be made; but the Chancellor, for reasons he did not understand, had rejected this advice. Lord Soames went on to say that the MAFF offering of 0.3 per cent cuts was ludicrous. It was absurd to imagine that out of a staff of over 40,000 they could only reduce their staff by 66 without damaging the interests of British agriculture. More generally, however, he did not think it was worth cutting back the Civil Service if the work would thereby have to be done outside the Civil Service at higher cost.

The Prime Minister said that if Ministers failed to produce "better" options, a ban on recruitment in their Departments would have to be imposed. Lord Soames said that he would not wish to go down this path because it would make for inefficient and bad Government; it would be far better to get agreement on cuts at the desirable level.

/ In conclusion,

In conclusion, the Prime Minister said that she would give Lord Soames her fullest support in Cabinet. She added, however, that for her position to be credible with colleagues, the Cabinet Office would need to find savings of 10%. So far they appeared to have found savings of considerably less than this. Achieving the full 10% cut in Cabinet Office staffing would no doubt be difficult, but an effort had to be made.

R.

10 September 1979



FILE

Civil Service

10 DOWNING STREET

From the Principal Private Secretary

SIR JOHN HUNT

The Prime Minister has considered your minute of 20 July about options for manpower reductions in the Cabinet Office. She does not believe that it is possible for the Cabinet Office, which provides an essential service to Ministers collectively, to put forward realistic options adding up to the full guidelines required by CSD. She would not therefore wish you to put forward the full list set out in your minute.

The Prime Minister would however like the following options to go forward to CSD for discussion, though she recognises that at this stage you are not committed to implementation of them.

- i. She will await the further submission on the future of ACARD: but the consequences of abolition should certainly be included.
- ii. She agrees with (1)(b) of Annex A to your minute.
- iii. She would like you to put forward options for reducing CPRS by (a) two and (b) four advisers. In the latter case you would no doubt cover the possibility of relying more on outside consultants.
- iv. She would like the case for reducing or abolishing the economic element in the Assessments Staff to go forward.
- v. She agrees that the case for keeping the peacetime histories down to four at any one time should go forward.
- vi. She thinks that a cut of at least 10 per cent should be possible in the CSO.

C. A. W/A: WHITMORE

24 July 1979

PRIME MINISTER

Cuts in the Cabinet Office

20.7.79

I attach a minute from Sir John Hunt about the implications for the Cabinet Office of the present exercise, which the Lord President is overseeing, to reduce the size of the Civil Service in order to make savings in staff costs. As you will see, Sir John Hunt concludes his minute by saying that he would like to have a word with you about the options for the Cabinet Office which he might put to the CSD.

✓  
not

In view of your very crowded timetable between now and the debate on Wednesday I think it doubtful whether we shall be able to fit in a meeting with Sir John Hunt on this subject and I have therefore had a word with him about his minute. The Cabinet Office have a very real problem when they are asked to contemplate savings of the order under consideration in this exercise. If one leaves on one side the Central Statistical Office, which is where the relatively big numbers in the Cabinet Office are, the rest of the office is very small and in most areas is already well down to the bone. If pro rata cuts are then applied, staffing levels in some cases are likely to be taken below the minimum that is required to sustain an efficient service to Ministers collectively and to you in particular. With these considerations in mind Sir John Hunt has told me that he thinks that the most that it would be reasonable to offer are savings in the following areas mentioned in annex A to his minute:-

After Monday

- (1) (a) Assume the abolition of ACARD - £9,000,
- (1) (b) He proposes to make this change which saves money though no staff - £5,000.

(2) He has in mind a cut in the CPRS of two people. I think that this is reasonable. The CPRS is already very small ~~but~~ <sup>and</sup> does need a balanced mixture both of people from different disciplines and of civil servants and outsiders. A cut of two would save £22,000.

More than this. we have not really got round to CPRS but surely the way to deal with it is to have very low numbers. It will be we outside for making. The 1000 is in the CPRS is in the...

(iii)

- (3) ✓ Sir John Hunt would prefer to avoid cutting the European Secretariat. I think that this is right: Michael Franklin and his people do a very valuable job in co-ordinating Community business and holding the ring between the various Departments concerned.
- (4) ✓ The economic assessment area of the JIC and assessment staff is well worth looking at for cuts and Sir John Hunt proposes to assume a saving of £40,000.
- (5) ✓ Reductions in work on Official Histories should produce £45,000.
- (6) ✓ Do you agree that the Womens' National Commission should not be abolished?
- (7) ✓ The common services support the Secretariat in the Cabinet Office and together they form the heart of the Office. A reduction here would be bound to affect the service which is now given to Ministers.
- (8) ✓ Sir John Hunt thinks that we should go for a 10% cut in the Central Statistical Office. The note on the CSO suggests to me that a cut of this size would not cause very much damage. The saving is £162,000.

*Can we spare a little more here - the staff is enormous. mb.*

If all these cuts are made, the total saving will be £283,000. This is rather more than halfway towards a cut of 10% and comes on top of the reduction of 30 posts which the Cabinet Office has already made as its contribution to the 3% saving in the pay element of the cash limits which all Departments have had to make as a contribution to the recent pay awards. I think that savings of this order are probably all that can be expected of a Department the size of the Cabinet Office if it is not to run into the kind of problems I have mentioned. Do you agree that Sir John Hunt should put forward to the CSD the reductions set out in the list above?

*Yes. but see CPAS  
ans.*

*J.H.*





Ref. A09

PRIME MINISTER

As part of the exercise to reduce the size of the Civil Service by 1st April 1982 Departments have been told by the Civil Service Department to send in certain information following consultation with their Ministers. I have therefore to trouble you, in your capacity as my Departmental Minister, about the Cabinet Office options particularly since reductions here would be bound to affect the service which we provide for you and for Ministers collectively.

2. Departmental Ministers have to report to the Lord President by the end of this month -

- (a) The amount of savings that can be found in the Departments for which they are responsible by improving efficiency and reducing waste.
- (b) What further action would need to be taken in their Departments to bring total savings in staff costs for which they are responsible up to levels of 10 per cent, 15 per cent and 20 per cent by 1st April 1982 by performing functions less intensively, or curtailing them or dropping them altogether.

3. The CSD have said that no Department is exempt from this exercise but there are nevertheless good reasons why this Office is in a different position from other Departments. The CSD emphasise that this is "genuinely an exercise to reduce functions and not to reduce staff while leaving functions intact". The Cabinet Office does not in the main have "functions" or pursue policies which can be dropped. We supply a service both to Ministers collectively and to you in particular which presumably will have to be maintained. Furthermore the 3 per cent saving in the pay element of the cash limits which we, like other Departments, have had to make as a contribution to the recent pay awards has already meant a reduction in the Office of some 30 posts.

4. To be fair to CSD they point out that no overall target has been set and that there is no presumption that the final decision will result in a uniform percentage for all Departments. But once options are on the table they will be liable to CSD and subsequently to collective Ministerial scrutiny.



5. Annex A to this minute lists the various parts of the Office and indicates how cuts would affect each part whilst Annex B gives some examples of what 10 per cent, 15 per cent and 20 per cent cuts would mean for the Office as a whole.

6. I should be grateful for an opportunity to discuss briefly with you which, if any, of these options we should forward to the CSD.

A handwritten signature in blue ink, appearing to read "John", is written above the printed name.

JOHN HUNT

20th July, 1979



MANAGEMENT - IN CONFIDENCE

Annex A

Suggested Options for Consideration

(1) The Secretariat is the heart of the Office. After the 3 per cent savings have been achieved it will have a multi-representational staff of only 20 who will be responsible not only for servicing the Cabinet and its Committees but also for our various staff responsibilities in relation to nuclear matters, terrorism, the hot lines, etc. This is the smallest it has been since 1969. Subject only to (a) and (b) below, to reduce the size still further would impair not only the efficiency of the Committee system but also the briefing provided to the Prime Minister and other Committee Chairmen. The only possibilities seem to be:-

(a) A separate submission on the future of the Advisory Council on Applied Research and Development (ACARD) will be made soon in the Quango context. If the decision then is to abolish ACARD the Secretariat could save 1 Principal Scientific Officer.

Possible saving: £9,000

(b) A small saving could be achieved in the Home and Social Affairs Secretariat if the Deputy Secretary post was given up and the unit was headed by the Under Secretary. He would however have to be underpinned by the introduction of an Assistant Secretary. Such a downgrading is only possible because Devolution has now been removed from the Deputy Secretary's area of responsibility.

Saving: £5,000

(2) The CPRS - a small multi-disciplinary unit of only 18 people. Complete abolition of the CPRS would deprive the Prime Minister and Ministers of a central capability for work and advice on strategic and other non-departmental matters at a time when this is more likely to be required.

Total saving from abolition including support staff: £390,000

A reduction in the size of the CPRS would affect the range of subjects covered and the area on which advice could be given.

If 3 Adviser posts were given up  
the saving would be £33,000

If 5 Adviser posts were given up  
the saving would be £55,000

MANAGEMENT - IN CONFIDENCE

- (3) European Secretariat - a unit of 8 people.

Complete abolition would result in a saving of £157,000.

There would however be no co-ordination of the policies of all home Departments in matters relating to the European Communities and the Prime Minister would be deprived of advice which is free from Departmental interest. Disbandment would result in a deterioration of the United Kingdom effort: and the Foreign and Commonwealth Office would probably take on staff to fill the gap! If the Unit is retained it might be possible to reduce it by 1 Principal but in an already busy area of work this would affect the quality and speed of output.

Saving in this case: £9,000

- (4) JIC and Assessments Staff has a staff of 27. Reductions which would endanger the flow of intelligence information to the Government presumably would not be acceptable. In that case the only possible reductions are in the economic assessment area. This would mean that there would be no co-ordinated assessments of overseas economic matters.

Saving: 1 Assistant Secretary, 3 Principals and  
1 Personal Secretary - £40,000

- (5) Official Histories have a permanent staff of 6. The Histories programme has always been agreed with the Opposition and announced to Parliament. Histories now being written constitute a substantial investment which would be lost if the work was prematurely terminated. To start no new official histories would lead to considerable criticism: but the Military and Intelligence histories will all be completed by 1982 and if we do not step up the number of Peacetime Histories beyond the present number and aim to maintain only 4 histories in preparation at a time we could by 1982 achieve savings of £45,000.

- (6) Women's National Commission - the Office provides the Secretariat (2 staff) for this Commission which was first set up in 1969. We could eliminate this requirement if the WNC was abolished. (The Prime Minister has already expressed a provisional "Leave well alone" view on this).

Saving: £16,000

*If we don't keep the  
W.N.C. - it shall be  
recommended to replace it with  
something much more  
expensive.*



MANAGEMENT - IN CONFIDENCE

(7) Common Services. This covers the Committee and Distribution Sections of the Office and the Typing and Reprographic services. Without these units the Office could not function. A service is provided from 8.00 am until 9.00 pm but if there is urgent work the typing and reprographic units continue to operate beyond 9.00 pm. To supply this service we have shift working. If the Common Services staff worked "normal" office hours 9.00 am to 6.00 pm we would save on staff and shift allowances.

Total saving: £75,000

The consequences of such a reduction would be that instead of the 3 circulations per day - 8.15 am, 1.00 pm and 5.30 pm - there would be 4 at say 9.30 am and 3.00 pm. Circulation of Cabinet and Cabinet Committee papers (briefs, agenda and minutes) would all be delayed. The build up would be gradual - at first some 3-4 hours but as late evening work piled up for typing and reproduction the following morning, papers could be as much as a day longer than at present in getting to Ministers. And even this could slip. The reputation of the Cabinet Office for the rapid circulation of briefs and minutes is something in which the staff are justly proud. Their efforts must help to speed up Government business.

(8) Central Statistical Office has a staff of 243.

Suggested CSO options, prepared by the Director of the CSO, are attached. The cuts proposed would save -

10 per cent - £162,000  
15 per cent - £265,000  
20 per cent - £338,000



## MANAGEMENT - IN CONFIDENCE

The CSO is responsible both for much essential economic and social statistics. This carries with it an obligation both to interpret data and to test their quality - often data collected by other Departments. In addition the CSO has responsibilities for central management of the Government Statistical Service. The options which follow are provisional to the extent that they do not take account of the effect of any reductions in the statistical services provided by other Departments.

### Service to the Government

2. At the 10 per cent level there would be some inroads into the service to Ministers, notably through the CPRS for the Joint Framework for Social Policy. To remove this support and reduce our ability to respond quickly and reliably to questions about economic developments would save 12 posts, including some at senior staff level but mainly in the middle ranks, accounting for £108,000.

3. At 15 per cent we would save a further 6 middle range posts and £50,000 but at the expense of abandoning work needed for the Treasury and Bank which helps to explain financial flows between different sectors of the economy. Figures about the regions and social protection used in EEC negotiations on the Regional and Social Funds would also fall.

4. At 20 per cent it is not possible to maintain the quality of even the major macro-economic accounts. Least damaging might be to weaken the balance of payments estimates although these are closely watched by industry, the City and Parliament. We would also have to abandon work on statistical indicators which give early warning of underlying changes in the economy. Together these options save 6 middle rank staff (£47,000).

### Service to the public

5. The CSO provides some direct services to the public, notably through its publications. To some extent these provide a return to people who have been put to the trouble of supplying the basic data. Several of these publications are of long standing and all are used as basic sources of reference by businesses and academics and individuals outside Government. Nonetheless it would be possible to make reductions which might be inconvenient to some users but not necessarily very damaging. These would save £11,000 and 2 junior staff at the 10 per cent level. At the 15 per cent level we would propose withdrawing from participation



## MANAGEMENT - IN CONFIDENCE

in the new PRESTEL service. The direct staff saving would amount only to £4,000 (1 junior official) and it is questionable whether, for a saving of this order, the Government should opt out from at least minimum participation in provision of up to date and objective statistics by a new medium which will be used largely by businesses and in the City. It is our intention that this service should as far as possible be self-financing.

6. The most up to date and sensitive service provided to the Press and public by the CSO is the Enquiry Office run by the Press Section. This would have to suffer a small cut of some £5,000 (1 junior official) at the 20 per cent level. There are some 300 or so telephone enquiries weekly and over 100 requests for written material. About one-quarter to one-third of the telephone enquiries are from the Press. We believe that even the small reduction proposed for this service would cause irritation to the present users, complaints to the Press and ultimately complaints to Ministers.

### Central Management Services

7. We estimate that there are efficiency savings of some £12,000 (3 junior officials) which we would wish to make in any event. Continuing to the 10 per cent level we propose a reduction in work on the preparation of an overall strategy for the GSS and in our manpower planning activities. Less efficient management is likely to lead to inefficiencies in the assessment of priorities and employment of staff over the GSS as a whole. A saving of £10,000 (1 middle grade official) would be achieved.

8. Reductions of 15 per cent would lead to a reduction of the central Survey Control Unit which was set up to monitor the form-filling burden imposed on businesses and individuals by Government Departments but at this level of cut we would aim to retain our surveillance of business surveys. The savings would amount to £12,000 (1 middle grade and 1 junior official). CSO activities in maintaining consistency in Government statistics would have to be reduced at the 20 per cent level. There would be risks of duplication of effort between Departments and the continued use of out of date standards. Savings overall would be £18,000 (3 junior officials).



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Innovation and leadership

9. A much contracted CSO could of course be managed by fewer people at senior levels. There would be losses in leadership and innovation to be balanced against the need to avoid a top-heavy organisation. Savings at or above the 10 per cent level would amount to £20,000 (1 of the directing staff). At the 15 per cent or 20 per cent levels the figures would be a further £36,500 (2 Chief Statisticians).

Summary of options

	<u>£'000</u>	<u>Nos.</u>
10 per cent	162	20
Balance to 15 per cent	104	13
Balance to 20 per cent	72	10
	<u>338</u>	<u>43</u>



Some examples of how the various cuts might be achieved -

10% cuts = £520,000

(a)	Abolition of CPRS	£390,000	
	10% in CSO	<u>£162,000</u>	
		<u>£552,000</u>	
(b)	Reduction in Secretariat 2 posts	£14,000	
	Abolition of Economic Assessments	£40,000	
	Savings on Official Histories	£45,000	
	Abolition of WNC	£16,000	
	Reduce CPRS by 5	£55,000	
	Common Services cuts	£75,000	
	15% cut in CSO	<u>£266,000</u>	
		<u>£511,000</u>	
(c)	20% cut in CSO	£338,000	
	A selection of options under (b) to bring total to about	<u>£520,000</u>	
(d)	20% cut in CSO	£338,000	
	Abolition of European Secretariat	£157,000	
	Reduction in Secretariat - 2 posts	£14,000	
	Abolition of WNC	<u>£16,000</u>	
		<u>£525,000</u>	

15% cuts = £780,000

(e)	Abolition of CPRS	£390,000	
	20% cut in CSO	£338,000	
	Abolition of Economic Assessments	£40,000	
	Abolition of WNC	<u>£16,000</u>	
		<u>£784,000</u>	

(f)	Reduction in Secretariat 2 posts	£14,000
	Abolition of Economic Assessments	£40,000
	Savings on Official Histories	£45,000
	Abolition of WNC	£16,000
	Reduce CPRS by 5	£55,000
	Common Services Cuts	£75,000
	20% cut in CSO	£338,000
	Abolition of European Secretariat	£157,000
		<u>£740,000</u>

20% cuts = £1,040,000

(g)	Abolition of CPRS	£390,000
	Abolition of European Secretariat	£157,000
	20% cut in CSO	£338,000
	Abolition of Economic Assessments	£40,000
	Savings on Official Histories	£45,000
	Common Services Cuts	£75,000
		<u>£1,045,000</u>

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