PREM 19/966

PART 2

MT

32/3 NEW FILE COVER

Confidential Filing

Annual Scrutiny of Departmental Running Costs (Administrative)

CIVIL SERVICE

Part One: February 1980

Part Two: August 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
19.9.83.							

PREM 19/966

PART TWO ends:-

w. Ricketts to CST's office

PART THREE begins:-

SS/NTO to CST 12-8-86

FILE

W7

10 DOWNING STREET

From the Private Secretary

19 September, 1983

1982-83 SCRUTINY OF RUNNING COSTS

Thank you for your letter to Tim Flesher of 15 September. Mrs. Thatcher feels that it is most disappointing that running costs are still increasing above inflation, especially when staff numbers are reducing. She is, however, content for the Chief Secretary to answer the arranged Parliamentary Question attached to your letter. She has noted that he will use examples of specific improvements in the debate on the Civil Service on 28 October.

I am copying this letter to Mary Brown (Office of the Minister for the Arts), Ian Beesley (Efficiency Unit) and Richard Hatfield (Cabinet Office).

W. F. S. PICKETT

J. Gieve, Esq.,

Chief Secretary's Office

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Hailsham of
St Marylebone PC, CH, FRS, DL
Lord Chancellor
Lord Chancellor's Department
House of Lords
LONDON
SW1A OPW

16 September 1983

Dear Quintin

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Now that the Prime Minister has seen my minute of 2 August, containing my proposals for the conduct of the 1983/84 scrutiny of departmental running costs (Mr Flesher's letter of 12 August to Mr Gieve), we are about to issue to departments at official level instructions on the procedures to be followed.

You will recall that, as a result of the changes I have made for the 1983/84 Scrutiny the Ministerial commentaries can be made earlier than in previous scrutinies, and that I should now like them to accompany the scrutiny figures. The commentaries are not required, of course, until about the end of this calendar year. But I thought you and your officials would find it helpful to know before gathering the scrutiny figures what I suggest the commentaries should cover.

I would be grateful if your commentary would provide explanations for significant changes in expenditure between 1982-83 outturn and 1983-84 forecast outturn. As last year, instead of covering every item of expenditure, it need concentrate only on those which show a marked deviation from past expenditure patterns.

However, the commentaries for the big departments should contain more detail than those for small departments because a major item of expenditure can account for a large part of the total expected change.

As well as explaining why expenditure has increased or decreased, I should be grateful if your commentary could include an account of any action that has been taken to reduce

running costs, to tighten up the systems for controlling them, and generally to obtain better value for running costs money. It would be helpful if you would list savings achieved or anticipated in 1983-84 and to put a cash value on them where possible.

I am sending a copy of this letter to the Prime Minister, the Ministers on the attached list from whom I should also be grateful to receive commentaries, Sir Robin Ibbs and Sir Robert Armstrong.

Yours ever

Peter

PETER REES

Copies to:-

Lord President

Lord Chancellor

Foreign Secretary

Secretary of State for Education and Science

Secretary of State for Northern Ireland

Secretary of State for Energy

Secretary of State for Defence

Secretary of State for Scotland

Secretary of State for Wales

Secretary of State for the Environment

Secretary of State for Social Services

Secretary of State for Employment

Secretary of State for Trade and Industry

Secretary of State for Transport

Minister of Agriculture, Fisheries and Food

Attorney General

Lord Advocate

Minister of State, Privy Council Office

Civil Service : Dept ~ cuts

Pt 2

Prime Minister (2)

MCS 16/9

Not good

MT

Treasury Chambers, Parliament Street, SW1P 3AG

Timothy Flesher Esq
PS/Prime Minister
10 Downing Street
LONDON
SW1

15 September 1983

Dear Tim

1982-83 SCRUTINY OF RUNNING COSTS

Thank you for your letter of 12 August. I am sorry that the leave season has led to some delay in replying.

As the Prime Minister has suggested, the Chief Secretary intends to publish a summary table showing running costs by department as in previous years. He agrees that we should try to get across publicly the message that the trend in increases in running costs is in the right direction. But there are some difficulties in getting this over convincingly. Although the trend indicates an improvement over previous years, running costs are still actually increasing above inflation, and when staff numbers are reducing. Nevertheless, the Chief Secretary thinks it is worth publishing figures showing the overall trend, supplemented by examples of specific improvements departments have made. He proposes to do this by means of an arranged Parliamentary Question (giving trend information and running costs by department) publicised by a Press Notice. A draft of the Parliamentary Question is attached. He proposes to hold back the examples of specific improvements, which the Prime Minister suggested, for use in the debate on the Civil Service on 28 October.

The Prime Minister asked whether the target set for 1983-84 will further improve the comparison with general inflation. The answer to that is yes. Provision for 1983-84, taking account of budget changes, shows an increase of 5.9 per cent over the previous year compared with a forecast 5.5 per cent inflation. The Chancellor's 1% reduction in administration cash limits should cause a further reduction. Also the 1983-84 provision is inflated by distorting factors outside departments control, notably increases in the superannuation on-cost and the introduction of repayment for accommodation. The 5.9 per cent figure is reduced to 4.4 per cent if these factors are taken into account.

For 1984-85 (as for previous years) the Chief Secretary aims to constrain further the rate of increase in running costs by means of tight cash limits and manpower targets. Staff costs are easily the largest component of running costs so further reductions in manpower numbers and tight provision for pay increases in 1984-85 (which in turn should cause departments to seek to improve efficiency) are likely to be the most effective way of reducing increases in running costs. Pressure on non-staff costs will be maintained through cash limits, and by rigorous scrutiny of each type of expenditure in departments' Estimates bids for 1984-85, following up items noted in this year's scrutiny and pointers from specific efficiency studies.

A copy of this letter goes to the Private Secretaries to other members of the Cabinet, Mary Brown (Office of the Minister for the Arts), Ian Beesley (Efficiency Unit), and Richard Hadfield (Cabinet Office).

Yours sincerely

J.M. Grice

DRAFT PARLIAMENTARY QUESTION

To ask Mr Chancellor of the Exchequer what measures are being taken to improve control of the running costs of Government departments and what are the latest figures available broken down by department, wages and salaries, personnel overheads, accommodation costs, office services and other services.

DRAFT ANSWER

The table below shows that, if allowance is made for additional expenditure caused by the Falklands conflict, the trend is towards a lower rate of increase in the running costs of Government Departments.

	Percentage increase		
	1979-80 to 1980-81	1980-81 to 1981-82	1981-82 to 1982-83
Running costs	19.2	11.5	9.4 (7.6 excluding MOD)
Inflation (GDP deflator)	17.7	10.3	7.1

Comparison between 1981-82 and 1982-83 is complicated by factors outside departments' control: the decrease in the National Insurance Surcharge, an increased notional allowance for pensions, and changes in the basis of accommodation costs. Correcting for these factors reduces the figure of 7.6 per cent to about 7.3 per cent.

Running costs tend to increase steadily unless a determined effort is made to check them. Ministers are therefore taking a personal interest in the costs of their departments and this is supplemented by an annual service-wide scrutiny carried out by the Treasury. This scrutiny has revealed a wide range of many individually small but useful improvements which have helped to contain the growth of expenditure.

The following tables show outturn for 1981-82 and forecast outturn for 1982-83 for each department. The figures for the Ministry of Defence cover military and civilian running costs which cannot be separated with precision and for 1982-83 include additional expenditure due to the Falklands conflict.

GROSS RUNNING COSTS - 1981-82 OUTTURN

DEPARTMENT	Wages and Salaries		Personnel Overheads		Accommodation Costs		Office Services		Other Services		Total Running Costs
	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Cost	£m
Ministry of Defence (including Armed Forces)	5,444.4	73.5	430.8	5.8	1,245.8	16.8	154.6	2.1	131.0	1.8	7,406.6
Foreign and Commonwealth Office	167.9	57.6	23.6	8.1	58.3	20.0	21.4	7.3	20.5	7.0	291.6
Overseas Development Administration	22.9	58.2	2.2	5.5	6.0	15.2	3.3	8.3	5.0	12.7	39.3
Ministry of Agriculture, Fisheries and Food	127.9	71.6	11.5	6.4	26.7	14.9	11.3	6.3	1.2	0.7	178.6
Department of Industry	89.4	68.3	4.0	3.1	21.2	16.2	10.8	8.2	5.4	4.1	130.9
Department of Energy	14.8	56.2	1.1	4.1	3.8	14.5	2.1	7.9	4.5	17.2	26.3
Department of Trade	74.4	47.8	3.0	2.1	35.7	22.9	12.9	8.3	29.2	18.8	155.5
Department of Employment	207.2	77.2	6.4	2.4	32.7	12.2	17.5	6.5	4.8	1.8	268.5
Manpower Services Commission	195.3	65.8	9.2	3.1	54.8	18.5	31.3	10.5	6.1	2.0	296.7
Department of Transport	114.4	52.4	5.5	2.5	23.9	10.9	17.4	8.0	57.1	26.2	218.3
Department of the Environment	104.8	68.0	5.2	3.4	22.4	14.5	14.9	9.7	6.8	4.4	154.2
Property Services Agency	302.8	70.0	13.8	3.2	43.7	10.1	11.0	2.6	61.2	14.1	432.5
Home Office	445.8	85.4	19.1	3.7	23.8	4.6	21.1	4.0	12.5	2.4	522.3
Lord Chancellor's Department	97.1	65.7	5.4	3.6	29.0	19.6	12.6	8.5	3.7	2.5	147.8
Department of Education and Science	30.6	69.4	2.4	5.3	7.7	17.6	3.0	6.9	0.3	0.7	44.0
Department of Health and Social Security	742.4	59.4	21.8	1.7	114.4	9.2	97.8	7.8	272.5	21.8	1,248.9
Her Majesty's Treasury	43.4	69.6	1.6	2.6	7.3	11.6	3.6	5.8	6.5	10.4	62.3
Customs and Excise	259.7	77.1	16.9	5.0	38.2	11.3	16.8	5.0	5.3	1.6	336.8
Inland Revenue	595.5	75.2	15.2	1.9	111.5	14.1	55.9	7.1	13.6	1.7	791.7
Department of National Savings	60.5	38.4	0.7	0.5	8.5	5.4	20.6	13.1	67.1	42.6	157.5
Management and Personnel Office	14.7	48.3	2.0	6.4	5.7	18.6	3.8	12.5	4.3	14.2	30.5
Paymaster General's Office	6.4	57.2	0.0	0.4	1.0	9.0	2.1	19.0	1.6	14.5	11.2
Scottish Office	110.3	72.6	5.0	3.3	23.7	15.6	8.1	5.3	4.8	3.2	151.9
Welsh Office	23.3	54.1	1.2	2.8	3.3	7.6	3.4	7.9	11.8	27.5	43.0
Northern Ireland Departments and Northern Ireland Office	281.1	78.7	14.5	4.1	24.0	6.7	18.4	5.1	19.3	5.4	357.4
TOTAL MAIN DEPARTMENTS	9,577.1	70.9	622.3	4.6	1,972.9	14.6	575.6	4.3	756.3	5.6	13,504.3
TOTAL OTHER DEPARTMENTS	255.5	65.8	13.9	3.6	54.9	14.1	26.2	6.7	37.9	9.8	388.4
TOTAL ALL DEPARTMENTS	9,832.6	70.8	636.2	4.6	2,027.8	14.6	601.8	4.3	794.2	5.7	13,892.7

NB Calculations are based on actual not rounded figures.

GROSS RUNNING COSTS - 1982-83 FORECAST OUTTURN

DEPARTMENT	Wages and Salaries		Personnel Overheads		Accommodation Costs		Office Services		Other Services		Total Running Costs
	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Cost	£m
nistry of Defence (including rmed Forces)	5,759.9	70.1	593.0	7.2	1,517.9	18.5	185.6	2.3	158.8	1.9	8,215.1
reign and Commonwealth ffice	178.8	54.4	25.0	7.6	74.9	22.8	26.3	8.0	23.4	7.1	328.5
erseas Development dministration	23.8	58.8	2.0	4.9	6.8	6.8	3.3	8.1	4.7	11.6	40.5
nistry of Agriculture, Fisheries nd Food	133.2	69.9	12.5	6.6	29.7	15.6	13.4	7.0	1.7	0.9	190.6
partment of Industry	92.5	66.2	4.6	3.3	23.3	16.7	12.0	8.6	7.3	5.2	139.8
partment of Energy	14.7	56.1	1.2	4.6	5.5	21.0	2.4	9.2	2.6	9.9	26.2
partment of Trade	78.7	48.6	4.0	2.5	39.7	24.5	13.1	8.1	26.3	16.3	161.8
partment of Employment	230.6	76.1	8.1	2.7	35.9	11.9	23.3	7.7	5.0	1.7	302.9
npower Services Commission	208.5	64.4	11.5	3.5	59.4	18.3	37.1	11.5	7.5	2.3	324.0
partment of Transport	119.0	54.1	6.5	3.0	25.9	11.8	24.1	10.9	44.5	20.2	220.0
partment of the Environment	100.2	64.9	5.4	3.5	24.7	16.0	15.6	10.1	8.2	5.3	154.2
operty Services Agency	314.1	67.7	14.4	3.1	48.8	10.5	14.2	3.1	72.6	15.6	464.2
me Office	492.0	84.6	22.1	3.8	29.4	5.1	24.7	4.2	13.5	2.3	581.7
rd Chancellor's Department	106.0	65.6	6.2	3.8	32.0	19.8	13.8	8.5	3.5	2.2	161.6
partment of Education and cience	31.9	66.6	2.8	5.8	9.2	19.2	3.6	7.5	0.4	0.8	47.9
partment of Health and ocial Security	791.0	57.9	23.5	1.7	127.3	9.3	116.2	8.5	308.0	22.5	1,366.1
r Majesty's Treasury	45.5	67.5	1.7	2.5	8.7	12.9	3.7	5.5	7.9	11.7	67.4
stoms and Excise	271.5	75.7	18.2	5.1	42.9	12.0	20.4	5.7	5.7	1.6	358.7
and Revenue	640.4	74.4	19.1	2.2	123.5	14.4	61.2	7.1	16.3	1.9	860.5
partment of National Savings	62.2	40.9	0.9	0.6	10.1	6.4	21.8	14.3	57.2	37.6	152.1
nagement and Personnel Office	15.5	45.2	2.2	6.4	6.7	19.5	4.7	13.7	5.2	15.2	34.3
ymaster General's Office	6.8	56.2	0.1	0.8	1.1	9.1	2.3	19.0	1.8	14.9	12.1
ottish Office	116.6	72.2	5.8	3.6	25.3	15.7	8.4	5.2	5.4	3.3	161.6
lsh Office	24.0	53.6	1.2	2.7	3.6	8.0	3.6	8.0	12.4	27.7	44.8
rthern Ireland Departments d Northern Ireland Office	300.1	78.0	14.7	3.8	29.1	7.6	20.1	5.2	20.9	5.4	384.9
TAL MAIN DEPARTMENTS	10,156.5	68.6	806.7	5.4	2,341.4	15.8	674.9	4.6	820.8	5.5	14,801.5
TAL OTHER DEPARTMENTS	271.3	68.6	14.0	3.5	62.5	15.8	28.1	7.1	19.4	4.9	395.4
TAL ALL DEPARTMENTS	10,427.8	68.6	820.7	5.4	2,403.9	15.8	703.0	4.6	840.2	5.5	15,196.9

Calculations are based on actual not rounded figures.

es

ges and Salaries = Wages, salaries, overtime payments, employers' National Insurance contributions, and tional cost of accruing liability for pensions of serving staff;

rsonnel Overheads = Travel, subsistence, removals, entertainment, catering support, protective clothing and aining;

commodation costs = Rates, heating, lighting, utilities, furniture and fittings, and notional market rental ues for Crown and leased property;

fice Services = Postage, telecommunications, stationery, printing, binding, publications, library services, rrent expenditure on computers, office machinery and vehicles, and publicity and advertising.

her Costs = Services provided by the Post Office, other agencies, and other departments.

e coverage of the tables above differs from the table relating to provision for 1981-82 which was published the Official Report Cl12 on the 2 March 1982. These tables include more staff in Northern Ireland Departments d some additional payments to other Government departments. The coverage of accommodation costs in the Home fice has also been changed.

Civil Service
Dept Running Cost
Pt 2

CONFIDENTIAL

file

cc CO WPSO SO FCO
CAB DHSS DOE HMT
D/M MOT MAFF NCO
D/N WPO MOD HO
TTI NIO Min/A
WO DES EU

10 DOWNING STREET

From the Private Secretary

12 August 1983

Dear John,

1982-83 Scrutiny of Departmental Running Costs

The Prime Minister was grateful for the Chief Secretary's minute of 2 August with details of the results of the scrutiny. She is encouraged that the trend is in the right direction and would like you to consider how the Government can get this message across publicly. She considers that it would be right to publish a summary table, as in previous years, with a short commentary and supplemented by selective examples of specific improvements which departments have made.

Mrs. Thatcher is concerned, however, whether the target set for 1983-84 will further improve the comparison with general inflation. She would be grateful for the Chief Secretary's advice on this and on how he intends to set targets for 1984-85 which will continue to bring improvement.

I am sending copies of this letter to the Private Secretaries to the other members of the Cabinet, Mary Brown (Office of the Minister for the Arts), Ian Beesley (Efficiency Unit) and Richard Hatfield (Cabinet Office).

Yours ever,

Tim Flesher

Timothy Flesher

John Gieve, Esq.,
Chief Secretary's Office.

CONFIDENTIAL

Prime Minister:

The Chief Secretary's minute is attached. Sir Robin Ibbs is impressed by progress but has a number of presentational suggestions. Shall I minute the Chief Secretary as Sir Robin proposes?

AT 8/8

in box

PRIME MINISTER

Yes

1982-83 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I have seen the Chief Secretary's submission of 2 August about the results of this scrutiny. I am bound to say that I am impressed by the efforts made to get reasonably reliable information. And, as far as I can judge, the limited procedural changes listed in paragraph 5 are generally sensible.

2. It is the results that matter, however, and these show that the trend is in the right direction. Excluding the special effects of the Falklands conflict and other special distortions the gap between the percentage increase in running costs and the general rate of inflation has been narrowed from 1.5 percentage points in 1980-81 to 0.3 percentage points. That is good and you may want Ministers to take credit for this performance. In the past a summary table (similar to that in Annex A) has been published. You may wish to see that done again. In addition it would be good to get some of the better examples of savings made by departments - listed in Annex B - known publicly. (I do not think that all the examples in the annex are sufficiently hard to merit publicity.)

3. The Chief Secretary does not draw attention to his target for running costs in 1983-84 nor say how he intends to fix a target for the next year. The detailed report says that the Estimates for 1983 are 6.1% over the previous year's forecast out-turn and this compares with a 5% inflation factor published in the Autumn Statement. The Estimates are a cash limit and should be underspent, but I am not clear from this report whether the Chief Secretary expects the gap between the increase in running costs and inflation to continue to narrow and eventually cross-over which must be the objective. Hence, I am concerned that when

future results of the scrutiny are published they may not carry conviction that the Government has these costs firmly under control.

4. If you agree, you may care to have your private office minute the Chief Secretary on the lines of the attached.

5. I am copying this only to Sir Robert Armstrong.

Jan Beesley

pp. ROBIN IBBS (Approved by Sir Robin Ibbs and signed in his absence.)
8 August 1983

DRAFT PRIVATE SECRETARY MINUTE TO PS/CST

1982-83 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The Prime Minister was grateful for the Chief Secretary's minute of 2 August with details of the results of the scrutiny. She is encouraged that the trend is in the right direction and would like you to consider how the Government can get this message across publicly. She considers that it would be right to publish a summary table, as in previous years, with a short commentary and supplemented by selective examples of specific improvements which departments have made.

2. Mrs Thatcher is concerned, however, whether the target set for 1983-84 will further improve the comparison with general inflation. She would be grateful for the Chief Secretary's advice on this and on how he intends to set targets for 1984-85 which will continue to bring improvement.

Agreed ok

FROM: CHIEF SECRETARY

DATE: 2 AUGUST 1983

PRIME MINISTER

1982-83 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I attach a report on the third annual scrutiny of the running costs of central Government departments. As was agreed last year, it was conducted at the end of 1982 so that it could be assimilated with the examination of the Estimates for 1983-84, and Ministers were asked to submit commentaries by the end of March 1983. In the event some of the commentaries were delayed until after the Election.

2. We can now look back over a run of 3 years and see (albeit in very broad terms) what has happened to the control of running costs since we came into office in 1979. Paragraphs 2 and 3 of the report show that some progress has been made. Although running costs are still increasing ahead of general inflation, the gap has narrowed considerably. If we exclude the Ministry of Defence (whose running costs were greatly increased last year by the Falklands campaign) and also certain other distorting factors not under departments' control, running costs increased by 7.3% against the GDP deflator of 7.1%. Costs per head of staff increased faster, since staff numbers went down by 2%. But since some costs are independent of staff numbers (eg postage) and some others rise as a result of staff reductions (eg computerisation and contracting-out), that fact does not of itself signify slack control.

3. As the detailed commentary in paragraphs 9-31 brings out, the movement of particular cost elements from year to year is much affected by particular factors, and it is not possible to

extract lessons for improving control from the aggregate figures. The Treasury will however introduce a new feature from this year on, by circulating to all departments a document which shows the expenditure of each department on those cost-headings which its managers are in a position to control, broken down by the major "businesses" for which the department is responsible. This will enable the manager to compare his spending with that of a similar business in another department.

4. I believe that it has proved worthwhile to develop and continue the annual scrutiny. It has served the purpose of bringing these costs to the attention of Ministers and senior officials in departments and of stimulating action to reduce them. I am encouraged by the large number of initiatives which Ministers and their officials have taken, and which are summarised in Annex B of the Report. We should keep up the impetus, and I propose to conduct a further scrutiny in 1983.

5. Several colleagues have repeated their earlier representations about the amount of additional work which the annual scrutiny imposes, and have pointed out that we need to integrate it with the wider and more fundamental approach represented by the Financial Management Initiative. There is force in both points. They have been discussed interdepartmentally between officials, who agreed to recommend the following features for 1983:

(a) The scrutiny should still take place at the time of the Estimates, so that the experience of previous years and the flow of expenditure in the current year so far can both inform the scrutiny of the Estimates for the coming year.

(b) The scrutiny figures themselves should not however include the Estimates figures for the coming year. The 1982 experience showed that this puts an excessive squeeze on the time available for examining the scrutiny figures.

(c) Since the scrutiny figures thus become retrospective (though including figures for the current year based

on the first six months' actuals), the Ministerial commentaries can be prepared earlier and should accompany the scrutiny figures, instead of following them 3 months later.

(d) Some of the detailed information previously gathered on small expenditure items should be aggregated, and the task of analysing changes in expenditure should be transferred from departments to the Treasury Computer, from which the analysis can be fed back to the spending departments.

6. I propose to adopt these recommendations. As well as improving the conduct of the scrutiny, they will ease the transition to the systems now being planned as part of the Financial Management Initiative, under which the general pattern of departmental planning and control will be based on the costs of units and their activities as opposed to inputs such as staff, travel and postage across the department as a whole, though information on the latter will continue to be needed for the purpose of monitoring and comparison. The longer-term aim, as you have recognised, will be a system in which information about running costs can be derived directly from the management accounts which departments develop to plan and control the costs of their activities, without the need for a special exercise each year. But we are not there yet. The intermediate step now proposed will enable departments to begin to estimate and budget on the basis of units and activities, while retaining a cross-cutting retrospective analysis on the existing basis.

7. I am sending copies of this minute and the report to Cabinet colleagues, Lord Gowrie, Sir Robin Ibbs and Sir Robert Armstrong.

PETER REES
2 AUGUST 1983

(approved by the Chief Secretary & signed in his absence).

REPORT ON THE 1982-83 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The running costs of central government departments (including the armed forces and the Northern Ireland Departments) in 1982-83 were £15 billion, offset by £2 billion in receipts. The results of the 1982-83 scrutiny of running costs are discussed below.

TOTAL RUNNING COSTS

2. The first annual scrutiny was done on an experimental basis in 1980. A run of figures is now available to show how running costs have increased since 1979-80; these are given in the table below. The figures in the first column are those reported in early 1982.

	Percentage increases		
	1979-80 to 1980-81	1980-81 to 1981-82	1981-82 to 1982-83
Running costs	19.2	11.5	9.4 (7.6 excluding MOD)
GDP deflator	17.7	10.3	7.1

One factor in particular distorts the 1982-83 figure; the additional Ministry of Defence expenditure occasioned by the Falklands conflict.

3. The figures show an improving grip by management on running costs. Some factors outside departments' control distort the figures for 1981-82 to 1982-83. These are accommodation, where the information is not reliable (see paragraphs 19 and 20), superannuation, where the Government Actuary has sharply increased the notional on-cost (see paragraph 12), and the reduction in the national insurance surcharge in 1982-83. The net effect of these factors is to bring the increase in comparable costs in these two years to about 7.3 per cent for all departments excluding the Ministry of Defence.

4. Details of the 1982-83 running costs of the larger departments are given in Annex A.

SAVINGS

5. One of the purposes of the scrutiny is to identify for Ministers the running costs of the operations for which they are responsible. Ministers provided commentaries on their running costs. The commentaries show that departments are making successful efforts to reduce their costs. Examples are savings of up to £2 million per annum expected from a new system of filling posts in Customs and Excise; £1.75 million saved on postage in Inland Revenue; and £1.6 million saved in printing and binding costs in Department of Trade. Annex B gives more details.

INNOVATIONS IN THE 1982-83 SCRUTINY

6. The timing of the 1982-83 scrutiny was changed to assimilate it with the 1983-84 Estimates. This was done to avoid duplication and bring the scrutiny information to bear on the setting of departmental budgets. Estimates figures for 1983-84 show an increase in total running costs of 6.1 per cent over the previous years forecast outturn. This compares with the 5 per cent inflation factor published in the Autumn Statement. Since Estimates are cash limits not to be exceeded, the outturn should be somewhat less. The comparative information on running costs was used in the Treasury's examination of 1983-84 Estimates.

7. This year for the first time departments were asked to submit separate running costs figures for each of their major businesses. Figures were provided for 96 businesses. There are wide variations in cost changes between different businesses in the same department. These are shown in Annex C. We recommend that details of expenditure on running costs in 1981-82 (the most recent year for which final outturn is known) are promulgated to departments so that managers can compare their costs with those for other businesses.

8. Another new feature in this year's scrutiny was that departments were asked to give details on key ratios currently in use and their proposals for developing their future use. Details are given in Annex D. Experience so far suggests that such ratios are mainly useful for comparing the cost of a single activity over time and comparing similar work in different branches in the same department. Without a great deal of work to ensure that definitions are the same, they cannot be used to make reliable comparisons between departments. So far development has been rather patchy, but most departments plan to take it further and it will be important to ensure cross-fertilization of ideas. A good deal of work is being done, in the context of the Financial Management Initiative and in the context of improving information given to Parliament, particularly on ratios of resources consumed to results achieved. We recommend that further work on key ratios is subsumed into the work being done to improve departments' financial management systems.

ANALYSIS OF TYPE OF EXPENDITURE

Manpower and Pay

	1981-82 £m	1982-83 £m	difference %
Pay - permanent staff	7893.8	8366.9	6.0
- overtime & casuals	40.0	43.1	7.7
National Insurance	448.3	424.4	-5.3
Notional Pension and Gratuity Liability	1450.5	1594.4	9.9
	9832.6	10428.8	6.1

9. Pay and related costs represents nearly 70 per cent of total running costs. These costs increased well below the rate of inflation.

10. Pay of permanent staff increased well below inflation. This reflects a fall in man years of 2.3 per cent and pay rises of about 6.1 per cent for the armed services, 5.9 per cent for most of the Civil Service, 11.5 per cent for London Weighting, 14.3 per cent for senior Civil Servants and senior oficers in HM Forces and 4 per cent for Ministers. The increase in pay of permanent staff is higher than might be expected given reducing numbers and pay settlements. This is because of incremental drift and a changing proportion of higher paid grades. The effect of an incremental pay system is that incremental drift is one or two percentage points when the staff numbers are reducing and wastage is low because fewer new entrants come in on lower pay points. (Incremental drift is more or less nil when size is stable and negative in a growth situation.) Although there has not been grade drift among non industrial civil servants, the reduction in the size of the civil service has been greatest in the (lower paid) industrials. Falling staff numbers were offset to some extent by increased use of overtime and casuals especially in the Ministry of Defence (because of the Falklands), the Department of Health and Social Security (introduction of the housing benefit and the statutory sick pay scheme) and Inland Revenue (computerising PAYE).

11. National insurance decreased because the National Insurance Surcharge was reduced from 3½ per cent to 2 per cent over 1982-83.

12. Notional pensions and gratuity liability increased well above inflation because the Government Actuary revised his on-cost to reflect changed long term economic assumptions and a subjective factor to allow for deficiency payments. (The superannuation on-cost for non industrial Civil Servants has changed from 19 per cent to 24 per cent between 1983-84

and 1979-80.) Most contributory schemes have had to increase payments to cover deficiencies caused by poor investment performance in the 1970s.

Personnel Overheads

	1981-82 £m	1982-83 £m	Difference %	Difference excluding MOD %
Travel and Subsistance	307.8	407.2	32.3	10.7
Removals	104.1	150.8	44.9	11.9
Entertainment	4.4	4.6	5.0	-1.8
Catering support costs	120.3	136.0	13.1	2.1
Protective Clothing etc	75.1	92.6	23.4	3.0
Training	24.5	29.5	20.3	22.5
	636.2	820.7	29.0	10.9

13. Personnel overheads account for just over 5 per cent of running costs. They have increased well above the rate of inflation for the reasons given below.

14. For all departments travel and subsistence accounts for the greater part of expenditure in this area. Expenditure increased markedly in a number of departments. Notably, the Ministry of Defence travel and subsistence bill increased by over 50 per cent as a result of Falklands expenditure of about £21 million, extra expenditure on home to duty travel which was made necessary by the rail strike, and BAOR leave travel. Other departments with big increases included the Manpower Services Commission where increased expenditure was required to establish the Youth Training Scheme and the Community Programme; Department of Employment, in connection with staff training, mainly for taxation of unemployment benefit; and Inland Revenue, for additional effort on PAYE audit and the black economy. Some departments quoted increased training as a reason for higher expenditure on travel and subsistence.

15. Removal costs increased even more sharply; again mainly in the Ministry of Defence, who report a 70 per cent increase. Organisational changes affected these costs; for example, Scottish Office costs rose by nearly 50 per cent as staff were relocated following the reduction in staff numbers in the Agricultural Inspectorate and Lands Staff.

16. Expenditure on entertainment is small. It increased by less than the rate of inflation, mainly because the Foreign and Commonwealth Office expenditure in the previous year was

high when the UK had the Presidency of the European Community in the second half of 1981.

17. Expenditure on catering support and protective clothing, such as uniforms for the armed forces is mostly by the Ministry of Defence. It was much increased because of the Falklands campaign.

18. Demand for training has increased. Some departments said that the Financial Management Initiative had created a need for specialist training particularly in the finance area. Customs and Excise record a 16 per cent increase for training in computer audit work. Only two departments reduced expenditure in this area.

Accommodation

		1981-82 £m	1982-83 £m	Difference %	Difference excluding MOD %
PSA Estate	- Accommodation costs, excluding rent	498.5	460.3	-7.7	12.8
	Notional equivalent market rent	332.1	369.6	11.3	11.3
Non PSA Estate	- Accommodation costs	1186.0	1562.3	31.7	22.9
	Notional costs	11.1	11.6	4.4	0
		2027.7	2403.8	18.5	13.3

19. Accommodation costs are 16 per cent of running costs. They have increased at more than twice the rate of inflation. Because of the unsatisfactory mixture of allied service provision and costs borne directly by departments, the reasons for the increase are not very clear. They are in the main borne by the Property Services Agency on an allied service basis. Maintenance, heating, lighting, utilities, furniture and fittings and rates (which are the responsibility of the Rating of Government Property Department) are included. A notional equivalent market rent has also been included. For these costs no meaningful comparisons can be made, as they reflect broad assessments of each departments' costs in 1981-82, uprated by inflation for 1982-83, and take no account of departments' reduced use of accommodation. From 1 April 1983 repayment was introduced for some PSA services and it will be possible to make sounder year on year comparisons of accommodation costs in future.

20. In 1982-83 over 90 per cent of the accommodation charges which are borne on departments' own votes was incurred by the Ministry of Defence. The figures includes some items which further distort accommodation comparisons. We are working on removing distorting factors for the 1983-84 scrutiny.

Office Services

	1981-82 £m	1982-83 £m	Difference %
Postage	116.4	136.9	17.6
Telecommunications	174.8	211.7	21.1
Stationery, Printing and binding	130.2	138.6	6.4
Publications and Library Services	18.3	19.8	7.9
Computers, hire and running costs	39.1	50.5	29.2
Office machinery - current expenditure	31.3	36.1	15.0
Publicity and Advertising - non COI	19.4	24.5	25.8
Vehicles - running costs	6.4	6.6	3.1
Other administrative expenses	65.7	78.6	19.6
	601.9	703.1	16.8

21. Office services account for nearly 5 per cent of running costs: they have increased at more than twice the rate of inflation for reasons given below.

22. The cost of postage increased faster than inflation in 1982-83, despite reductions in the use of postage services, because expenditure in 1981-82 was depressed by the change to public postal methods (departments still had pre-paid envelopes to use and credits to come from the Post Office) and by the lack of activity during the Civil Service strike.

23. Telecommunications costs rose by over 21 per cent in 1982-83. This increase is partly the result of investing to achieve future savings and partly a sign of different working practices. Many departments have or will be installing telephone logging systems; the Manpower Services Commission has installed automatic exchanges in Skillcentres and computerised on-line vacancy clearing systems in jobcentres. The Inland Revenue have reported savings as a result of delegating budget control. Departments are also making greater use of telephones in place of personal vists.

24. Departments report successful efforts to reduce expenditure on stationery, printing, binding, publications and library services; these costs have increased much below the rate of inflation. But more use is being made of preprinted continuous stationery for use by

computers which is more expensive than traditional forms; and of colour as an aid to communication. And much work is being done on the redesign and reduction in number of forms following departmental Forms Reviews. The effect of these efforts will be increased expenditure on this item but to save staff time (and the public's time) in dealing with forms.

25. Current expenditure on computer hire and running continues to rise steeply. These costs are normally associated with maintenance and software needs arising from the recent installation of hardware, for example, the build up of the Customs and Excise computer complex at Shoeburyness. Increased usage of desk top computer terminals and of computer bureau services in the private sector also contributes. Increasing computer costs are an offset to the cost savings from reducing staff numbers and total pay costs reported in paragraph 9. There are still a number of businesses which reported no expenditure in this category; this suggests that there is scope for more use of high technology.

26. The Ministry of Defence, Inland Revenue and the Department of Health and Social Security spent most on office machinery, although the increase in expenditure in the last two departments has been modest at about 5 per cent compared with nearly 30 per cent in the Ministry of Defence and 15 per cent overall. The deployment of word processors and other office machinery to boost efficiency is the likely reason for the increased expenditure.

27. Three big departments record increases of over 200 per cent on publicity and advertising; the Department of the Environment cite the cost of home improvements grants publicity; the Department of Industry state that their large increases resulted from policy decisions on small firms, information technology and preparation for the liberalisation of telecommunications; and the Department of Health and Social Security cite advertising campaigns for staff, following the earlier freeze on recruitment.

28. Only 0.9 per cent of expenditure on office services goes on the running costs of vehicles and this has been held well below the level of inflation.

29. The Ministry of Defence Falklands expenditure accounts for much of the increases in other administrative expenses. Other items in this category include car parking expenses, losses, compensation payments and administrative costs of the Sizewell enquiry.

Other Services

	1981-82 £m	1982-83 £m	Difference %
Post Office, Services, GIRO and bank services	360.0	382.3	6.2
Contract cleaning	50.3	61.7	22.7
Other agency charges, contract and consultancy services	144.9	152.8	5.5
Payments to other departments	89.1	83.4	-6.4
	644.3	680.2	5.6

30. Other services accounts for just over 5 per cent of running costs. Expenditure has increased below the rate of inflation. Post Office, Giro and bank services account for over half the expenditure in this category. More money is spent on contract contract cleaning as departments have contracted out more of this work; this is offset by savings in pay costs reported in paragraph 9.

Capital Expenditure

	1981-82 £m	1982-83 £m	Difference %
Land and buildings	76.8	90.9	18.4
Vehicles	4.33	4.32	-2.0
Telecommunications	8.8	11.3	28.6
Office machinery	8.3	9.7	17.1
Computers	79.4	73.6	-7.2
Other	64.6	64.1	-8.0
	242.23	253.92	4.9

31. Capital expenditure includes items such as land, buildings, vehicles, computers and major items of office machinery. It is not included in the running costs total and has increased below the rate of inflation. Expenditure on telecommunications equipment increased by 30 per cent reflecting the increased purchase of telephones logging equipment; experience has shown this can reduce telephone bills by 20 to 30 per cent. Expenditure on land and buildings is almost entirely by the Ministry of Defence and the Home Office. In the Ministry of Defence the increase arises from the major works requirements at Aldermaston

associated with the nuclear programme and in the Home Office from top priority capital works to save and improve the prison estate, and purchase land at existing establishments. Capital items such as buildings and vehicles are replaced as the need arises and expenditure varies considerably from year to year. For this reason comparison between one year and the next is not particularly useful.

Receipts

32. Receipts comprise:

(a) payments from external customers (£955.1m)

(b) payments from other departments (£867.7m)

(c) the cost of services provided to other departments on an allied service basis where the cost is borne on the supplying departments vote) (£202.5m)

In 1982-83 receipts totalled £2,025 million - an increase of 1 per cent over the previous year.

COSTS OF PREPARING THE REPORT

33. A broad estimate of the cost of the staff time used in the Treasury and Manpower Personnel Office and in departments in gathering and processing the information for the report is £330,000.

CONCLUSIONS

34. Running costs represent about 13 per cent of total public expenditure. From 1981-82 to 1982-83 pay costs increased below the rate of inflation, but most other costs increased well above it in part because, for example, computers are used instead of clerical staff and in part in order to invest now to make savings later. As a whole running costs increased a little above the rate of inflation but there is evidence that management is improving control.

ANNEX A

GROSS RUNNING COSTS - 1982-83 FORECAST OUTTURN

DEPARTMENT	Wages and Salaries		Personnel Overheads		Accommodation Costs		Office Services		Other Services		Total Running Costs
	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Costs	£m	% of total Running Cost	£m
Ministry of Defence (including Armed Forces)	5,759.9	70.1	593.0	7.2	1,517.9	18.5	185.6	2.3	158.8	1.9	8,215.1
Foreign and Commonwealth Office	178.8	54.4	25.0	7.6	74.9	22.8	26.3	8.0	23.4	7.1	328.5
Overseas Development Administration	23.8	58.8	2.0	4.9	6.8	6.8	3.3	8.1	4.7	11.6	40.5
Ministry of Agriculture, Fisheries and Food	133.2	69.9	12.5	6.6	29.7	15.6	13.4	7.0	1.7	0.9	190.6
Department of Industry	92.5	66.2	4.6	3.3	23.3	16.7	12.0	8.6	7.3	5.2	139.8
Department of Energy	14.7	56.1	1.2	4.6	5.5	21.0	2.4	9.2	2.6	9.9	26.2
Department of Trade	78.7	48.6	4.0	2.5	39.7	24.5	13.1	8.1	26.3	16.3	161.8
Department of Employment	230.6	76.1	8.1	2.7	35.9	11.9	23.3	7.7	5.0	1.7	302.9
Manpower Services Commission	208.5	64.4	11.5	3.5	59.4	18.3	37.1	11.5	7.5	2.3	324.0
Department of Transport	119.0	54.1	6.5	3.0	25.9	11.8	24.1	10.9	44.5	20.2	220.0
Department of the Environment	100.2	64.9	5.4	3.5	24.7	16.0	15.6	10.1	8.2	5.3	154.2
Property Services Agency	314.1	67.7	14.4	3.1	48.8	10.5	14.2	3.1	72.6	15.6	464.2
Home Office	492.0	84.6	22.1	3.8	29.4	5.1	24.7	4.2	13.5	2.3	581.7
Lord Chancellor's Department	106.0	65.6	6.2	3.8	32.0	19.8	13.8	8.5	3.5	2.2	161.6
Department of Education and Science	31.9	66.6	2.8	5.8	9.2	19.2	3.6	7.5	0.4	0.8	47.9
Department of Health and Social Security	791.0	57.9	23.5	1.7	127.3	9.3	116.2	8.5	308.0	22.5	1,366.1
Her Majesty's Treasury	45.5	67.5	1.7	2.5	8.7	12.9	3.7	5.5	7.9	11.7	67.4
Customs and Excise	271.5	75.7	18.2	5.1	42.9	12.0	20.4	5.7	5.7	1.6	358.7
Inland Revenue	640.4	74.4	19.1	2.2	123.5	14.4	61.2	7.1	16.3	1.9	860.5
Department of National Savings	62.2	40.9	0.9	0.6	10.1	6.4	21.8	14.3	57.2	37.6	152.1
Management and Personnel Office	15.5	45.2	2.2	6.4	6.7	19.5	4.7	13.7	5.2	15.2	34.3
Paymaster General's Office	6.8	56.2	0.1	0.8	1.1	9.1	2.3	19.0	1.8	14.9	12.1
Scottish Office	116.6	72.2	5.8	3.6	25.3	15.7	8.4	5.2	5.4	3.3	161.6
Welsh Office	24.0	53.6	1.2	2.7	3.6	8.0	3.6	8.0	12.4	27.7	44.8
Northern Ireland Departments and Northern Ireland Office	300.1	78.0	14.7	3.8	29.1	7.6	20.1	5.2	20.9	5.4	384.9
TOTAL MAIN DEPARTMENTS	10,156.5	68.6	806.7	5.4	2,341.4	15.8	674.9	4.6	820.8	5.5	14,801.5
TOTAL OTHER DEPARTMENTS	271.3	68.6	14.0	3.5	62.5	15.8	28.1	7.1	19.4	4.9	395.4
TOTAL ALL DEPARTMENTS	10,427.8	68.6	820.7	5.4	2,403.9	15.8	703.0	4.6	840.2	5.5	15,196.9

NB Calculations are based on actual not rounded figures.

ANNEX B

DEPARTMENT	EXAMPLES OF SAVINGS
Ministry of Agriculture, Fisheries and Food	4 per cent saving in headquarters office space. Ministry's official fleet reduced by 16 per cent. 4 per cent saving in headquarters typing cost. Pilot trials on extension logging expected to lead to savings in telecoms. 4 per cent saving in Headquarters typing staff and 7 per cent cut in Managerial staff.
Management and Personnel Office	Savings in travel and subsistence resulted from asking recruitment candidates to pay towards their costs.
HM Treasury	Saving on printing followed from querying HMSOs billing arrangements. Savings in telecoms due to advertising the GTN. Expected savings in operator costs due to introducing a computerised exchange at Chessington.
Customs and Excise	Up to £2 million per annum expected from a new system of filling posts. Telecoms saving from removal of uneconomic lines, more use of GTN and investment in new switch board. Office machinery holdings rationalised with new equipment and less expensive maintenance agreements. Bulk mail transferred to cheaper 'Roadline' service. Contract cleaning led to savings.
Inland Revenue	Reductions in local office networks expected to lead to savings as is the introduction of telephone extension logging. Travel and subsistence savings from lower number of calls made on taxpayers, employers etc. Cessation of issue of coding notices on the occasion of each mortgage interest change saved £1.5 million in postage plus £0.25 million from the reducing number of income tax returns issued. Purchase of telephone logging equipment should produce future savings. Greater use of official cars produces savings on travel and subsistence.
Department for National Savings	Savings resulting from computerisation and the transfer of accounting for savings certificate sales to the Girobank.
Ministry of Defence	Comprehensive travel budget system helping to promote greater financial discipline. Introduction of responsibility and staff budgets etc, expected to have a major impact on running costs.
Department of Education and Science	Telecoms savings from taking unwanted lines out of use and monitoring HMI expenditure on telephones. Savings on Library Services from reducing orders for Parliamentary papers and periodicals.

ANNEX B

DEPARTMENT	EXAMPLES OF SAVINGS
Employment Group	Savings in existing computer based operations and from new computerisation. Mechanisation of payments and acounting work should realise savings of £0.13 million per annum. Savings on publications from revised mailing lists, introducing royalty charges and pruning production costs. Savings from the rationalisation of area and district offices computerisation of the payment of training allowances simplification in the structure of training and rehabilitation allowances; introduction of voluntary registration for employment.
Department of Energy	Saved £500,000 per annum from transferring accountancy staff, previously in Department of Industry, in house and reducing their numbers. Savings on travel and subsistence through strict monitoring and tighter budgeting and on telecoms from a reduction in the number of extensions.
Department of Environment	Savings in support services at the Building Research Establishment and in cartographic services and from contracting out work previously done in-house.
Property Services Agency	Improvements in travel and subsistence system likely to lead to savings.
Foreign and Commonwealth Office	Savings from reductions in use of VIP facilities of UK airports. £116,000 per annum on premiums from a reduction in world wide insurance. £78,000 in import duties from hiring cars in India. £41,000 from reductions in Agency Staff. Use of return load facilities saved freight charges. Use of Club rather than First Class saved money in the Queens Messenger Service. Reorganisation of work saved 23,800 hours of overtime. Review of visa fees will lead to an estimated £1 million extra revenue. £140,000 from reducing the number of protected cars. £28,000 per annum for printing diplomatic reports in house instead of using HMSO. £36,000 per annum from review of insurance arrangements. Scrutiny of stationary demands, reduction in paper quality saved approximately £10,500. An Office of Thomas Cook in Foreign and Commonwealth Office building expected to lead to travel savings.
Overseas Development Administration	Savings expected to emerge from an examination of general administrative expenditure.
Home Office	Worthwhile savings expected from a review of Supply and Transport. Savings expected from dispersal of Pay Branch to Bootle. Office machinery bought to deal with Prison Officers pay more efficiently.

DEPARTMENT	EXAMPLES OF SAVINGS
Department of Industry	Savings expected to emerge from the introduction of an annual activity costing and targetting system, the development of responsibility cost centres and the implementation of an extensive management information system.
Lord Chancellor's Department	Investigating organisational changes with a view to savings.
Land Registry	Strengthening of the internal audit team. Consideration of further computerisation.
Northern Ireland Office	Savings expected from telecoms logging equipment, from recruiting a professional catering manager, by reducing use of Government Car Service, and from tigher controls over overtime and revised rotas.
Scottish Office	A budgeting system for travel and subsistence produced savings. Telecoms savings achieved following an education campaign. From transfer of reprographic work from HMSO. From economies in library services. Contract cleaning produced savings. Increased receipts from sale of publications for Royal Scottish Museum. Introduction of telephone logging expected to yield further savings.
Department of Health and Social Security	Savings from the reorganisation of the Regional Office network.
Department of Trade	£1.6 million in printing and binding costs due to cheaper methods and fewer publications. £3.6 million increase in receipts due to fees increase at Patent Office. More contract cleaning.
Exports Credits Guarantee Department	Performance ratio of administration costs to business insured reduced. Telecoms savings from GTN link and installation of a new telephone exchange. Reduced accommodation costs resulting from dispersal to Cardiff.
Department of Transport	Introduction of cost centre budgeting and management information and accounting systems expected to produce savings.
Welsh Office	Economy in the use of telephone, mainly as a result of use of the GTN and higher receipts from various repayment services. Proposed introduction of telephone logging. Extension of memorandum trading accounts to all income earning activities. Computerisation of manual records for administering programmes. Reviews of transport costs and administrative forms.

ANNEX B

DEPARTMENT	EXAMPLES OF SAVINGS
Small Departments	Various savings including economies in publicity and advertising; switching to contract cleaning; investment in more efficient telecommunications equipment; extending use of microfilm and computer based aid and various management studies.
Northern Ireland Civil Service	Savings expected from the introduction of financial management and management information systems and a programme of reviews.

ANALYSIS OF RUNNING COSTS BY BUSINESS

	1981-82 ACTUAL OUTTURN £M	1982-83 FORECAST OUTTURN £M	DIFFERENCE 1981-82 TO 1982-83 %
Ministry of Defence			
- Main	6582.7	7343.6	11.6
- Procurement Executive	488.8	511.1	4.6
- Dockyards	335.1	360.4	7.6
Foreign and Commonwealth Office	291.6	328.5	12.6
Overseas Development Administration			
- Headquarters	24.6	25.8	5.0
- Directorate of Overseas Surveys	5.3	5.1	- 2.9
- Land Resources Development Centre	1.0	1.1	3.7
- Centre for Overseas Pest Research	2.8	2.7	- 3.5
- Tropical Products Institute	5.6	5.8	4.4
Ministry of Agriculture, Fisheries and Food	178.6	190.6	6.7
Department of Industry			
- Administration	100.0	108.2	8.2
- Industrial Research Establishments	30.9	21.6	2.3
Department of Energy	26.3	26.2	- .1
Department of Trade			
- Innovation	23.1	22.9	- .8
- Trading Practices	23.0	25.8	12.2
- Departmental Administration	94.3	97.0	2.9
- Shipping Services	15.2	16.1	6.2
Department of Employment			
- Unemployment Benefit Service	212.3	246.2	16.0
- Other Administrative Costs	56.2	56.7	.9
Manpower Service Commission			
- Employment Services	143.0	152.8	6.9
- Training and Special Programmes	118.6	132.9	12.1
- Central and Regional Manpower Services	24.9	28.8	15.8
- Professional and Executive Register	10.3	9.5	- 7.5
Department of Transport			
- Roads and Transportation	51.6	50.5	- 2.2
- Licensing and Testing Schemes	65.3	63.6	- 2.6
- DVLD	84.9	89.3	5.3
- Research	16.5	16.5	.1
Department of the Environment (central)	154.2	154.2	-
Property Services Agency			
- Industrials	138.6	140.8	1.6
- Non-industrials	294.0	323.4	10.0
Home Office			
- Prisons	369.2	412.0	11.6
- Administrative Services	153.1	169.7	10.8

ANNEX C

	1981-82 ACTUAL OUTTURN £M	1982-83 FORECAST OUTTURN £M	DIFFERENCE 1981-82 TO 1982-83 %
Lord Chancellor's Department			
- Court Services	132.0	145.4	10.1
- Headquarters	9.1	9.0	- 1.6
- Other Legal Services	2.8	3.2	14.7
- Public Trustee' Office	3.9	4.0	4.5
Department of Education and Science			
- Administration	42.5	46.2	8.7
- University Grants Committee	1.5	1.6	7.9
Department of Health and Social Security			
- Health	46.8	52.5	12.3
- Social Security	1202.1	1313.6	9.3
H M Treasury			
- Central Computer and Telecommunication Agency	12.6	14.5	15.3
- Main and CCC	35.5	38.3	8.0
- Civil Service Catering Organisation	14.3	14.6	2.2
Customs and Excise	336.8	358.7	6.5
Inland Revenue	791.7	860.5	8.7
Department of National Savings			
- National Savings Bank - ordinary	64.9	62.8	- 3.2
- National Savings Bank - investment	10.2	11.5	13.3
- Premium Savings Bonds	29.6	25.5	-13.8
- National Savings Stocks Register	5.5	8.6	55.5
- Savings Certificates	37.5	33.2	-11.4
- Save as you earn	4.7	4.4	- 7.7
- HQ	4.7	5.6	20.4
- Training	0.5	0.5	9.3
Management and Personnel Office	30.5	34.3	12.7
Paymaster General's Office	11.2	12.1	8.1
Scottish Office			
- Administration	102.4	107.6	5.1
- Prisons	41.5	45.1	8.8
- State Hospitals	5.3	6.0	11.9
- Royal Scottish Museum	2.7	2.9	7.8
Welsh Office	43.0	44.8	4.2
Northern Ireland Civil Service	280.1	300.2	7.2
Northern Ireland Office			
- Other running costs	22.0	22.9	4.1
- Prisons	55.1	61.8	12.0
Total Major Departments	13504.2	14801.4	9.6
Total Other Departments	388.5	395.4	1.8
Total All Departments	13892.7	15196.8	9.4

NB Calculations are based on actual not rounded figures.

ANNEX D

KEY RATIOS

1. Departments were asked to provide details of key ratios as part of their running cost returns. Because many departments were unclear what they were being asked to do the Treasury provided some examples. The purpose was in part to gather details of "best practice" in the use of ratios, for dissemination and to encourage departments to develop their own ratios for management use. It is clear from the replies that used key ratios as a routine management tool is patchy. Where they are used, key ratios are clearly useful. For example, the Land Registry produce a variety of performance factors through its management accounting system; these include comparative costs, for different areas broken down by accommodation, costs of different types of transactions and analysis of absences and outstanding accounts. The Departments of Employment uses a rather different set of ratios; their return explains that use of ratios of operational staff in Regions and support staff n the Regional Offices has raised some questions which might not other-wise have been asked. Also reviews of output to staff in post and in some instances cost are used by Head quarters staff to monitor most operations.

2. The examples given above are unusual; most departments do not use key ratios although many have plans to develop them in their financial management systems and some say that ratios on the line of the Treasury examples have been useful and that they plan to continue using and developing them. Also a good deal of work is being done on measures of performance, key ratios which measure the relationship between resources used and results achieved. Very few departments reported to us on measures of performance perhaps because of a misunderstanding of the scope of key ratios.

3. In theory key ratios can be helpful on different levels:

a. to make comparisons between departments;

b. to make comparisons in different parts of one department and;

c. to make comparisons of a single activity in one department and over time.

4. The difficulty in making comparisons between departments is ensuring that definitions are common. From the returns we know that the ratio of numbers of personnel staff to total staff is 1:50 in the PSA, 1:31 in the Treasury and 1:14 in the Crown Estate Office. But this discrepancy is more likely to reflect differences in the definition of personnel staff than in efficiency. It would not be possible to make inter-departmental comparisons without a

great deal of work to ensure that definitions were common. Given that departments see difficulties in inter-office comparisons because of local circumstances, this effort may not be worthwhile.

5. Departments see difficulties in making comparisons in different offices doing the same work because of the need to take special circumstances into account. Nevertheless such comparisons are used for this purpose. This type of comparison is also useful to show the unit costs of differenct tasks. For example the Department of National Savings shows (in 1981-82) the following transactions per head of staff for different savings schemes:

National Savings Certificates	3,152
Save As You Earn	21,116
National Bank Investment Account	7,153
National Savings Bank Ordinary Account	15,186
Premium Savings Bonds	1,986
National Savings Stock Registers	3,923

6. The returns show that making comparisons of a single activity over time is useful. Many of the returns show key ratios used in this way: examples are VAT staff ratios of traders per man year (increasing from 120:1 in 1979 to 150:1 planned for 1984 although Customs and Excise feel that this does not adequately reflect the growing VAT control problem) and the decrease in the number of CBX telephone extensions per head from 0.92 in 1980 to 0.87 in 1983 in the Department of Energy.

Civil Service: Scrutiny Pt 2

mc

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

29/3

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON SW1

29 March 1983

Dear Leon.

Enclosed are the commentaries requested in your letter of 17 November. In the case of the MSC and ACAS they take the form of letters from the chairmen to me. The matters on which you required comment are generally well covered although the response on key ratios and performance indicators is uneven. Work on these is planned as part of the responses to the Financial Management Initiative (FMI) and in the meantime I have asked, where necessary, that particular attention be given to support/operational ratios.

I realise why we were asked to make returns for identifiable businesses as conducting this exercise at the departmental level of aggregation has been in our experience of very limited value. The Employment Group divides naturally into four main businesses, DE itself, MSC, HSE and ACAS and the first of these has been further divided into the Unemployment Benefit Service and the Rest, and there are no less than four returns covering the MSC.

I am bound to say however even this refinement has its limitations. Perhaps this Department is more volatile than most but major changes such as rising unemployment, the ebb and flow of special employment measures and internal restructuring, for example transferring the Community Programme to the Employment Service Division and merging the Special Programmes and Training Service Divisions serve to invalidate comparisons both year on year and between one business and another. Moreover some of the businesses embrace numerous and disparate activities.

Tieing the scrutiny exercise to the Estimates has not been helpful. In DE's case there are technical timetabling difficulties associated with the unemployment forecasts and with the changes which the draft Estimates undergo during the course of protracted discussions with the Treasury about the implications of the forecasts for both manpower and various items of general administrative expenditure. The position is exacerbated by the fact that the same staff are engaged on scrutiny and Estimates work. The break down into businesses in the format required for the scrutiny does not always flow readily from the accounts as presently structured, a point made in several of the commentaries. Inevitably priority is given to getting the Estimates right.

This leads me to two conclusions: firstly if the scrutiny exercise does continue, and I am inclined to think it should be subsumed within the FMI, it should be restored to its former position in the timetable, concluding with Ministerial commentaries in September, so that the results of the exercise and any enquiries and changes which it might stimulate, can be fed into the preparation of the Estimates; and secondly that Treasury should refrain from detailed interrogation and investigation of administrative expenditure at the Estimates stage provided that the Estimates sought is in total within the previously agreed PES ceiling.

This view is reinforced by other developments on the financial management front. Departmental control systems are being strengthened and are themselves the subject of critical examinations by the centre. Further there is a basic incompatibility between placing responsibility for running costs firmly on to accountable departmental management and detailed control over particular elements of costs by the Treasury. This latter is particularly difficult to contain within systems, promoted from the centre, a feature of which is to be the ability of cost centre managers to vary the mix of costs within an overall ceiling.

I am copying this letter to recipients of yours.

Norman

DEPARTMENT OF EMPLOYMENT

1982 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Introduction

1. For the purposes of this exercise the Department has been divided into two 'businesses', the Unemployment Benefit Service (UBS) and the rest. The former covers the delivery of unemployment benefits and supplementary allowances, the latter a miscellany of activities including amongst others some of the special employment measures, the industrial tribunals, the careers service, the office of manpower economics and the wages inspectorate.

Deviations from previous expenditure patterns

2. Our accounts are not structured in such a way that the split between the two businesses in the required cost format flows readily from them. It is important to remember that whilst the total costs of the two businesses can be reconciled with the vote account the apportionment of common service costs and of some general administrative expenditure depends in part on judgments, which may vary over time, about the staff time devoted to supporting the different operations. For this reason and because some of the explanations are common to both businesses the comments in Appendix 1 apply generally to the department save where it is possible to attribute a significant change to a particular operation. Appendix 1 also contains schedules summarising the statements of running costs for the department as a whole and for the two businesses.

Overall comparisons of Estimates for 1983/84 with outturn for 1981/82 and Estimates and forecast outturn for 1982/83

3. There are some general points which need to be made. The outturn for 1981/82 was influenced by the effects of the industrial disputes in the Civil Service and the subsequent recovery programmes. Forecast out-turn for 1982/83 is below the Estimate mainly because of overestimation of manpower requirements for the taxation of unemployment benefit and staff training, and higher than forecast proportions of computer claims and quarterly attenders in the UBS; and lower than forecast volumes for the Young Workers Scheme and the Job Release Scheme. Comparisons between the years

are distorted by the rising level of unemployment and by the introduction, expansion and contraction of various special employment measures.

Key Ratios and Performance Indicators

4. Appendix 2 explains work we have done on key ratios, gives some examples of the use of performance indicators in the department and draws some conclusions from the figures. The use of these management tools is likely to be developed and extended during the course of the Senior Management Group's annual reviews which form an important part of our response to the Financial Management Initiative.

Action taken or intended to reduce running costs, to improve control systems and to improve value for money

5. Staff inspections and management services exercises have made and will continue to make a significant contribution. Survey officers undertake both types of work and apply their experience and techniques to both activities. Some of the savings from staff inspections for example are achieved by utilising O and M experience to reorganised workflows. Staff inspections in 1982/83 have produced or have indicated basic staff costs savings in excess of £1m in a full year (plus another £.5m in ACAS for which a service is provided). In addition staffing in demand led areas is monitored to ensure cadres are reduced when volumes fall.

6. A feasibility study of the mechanisation of payments and accounting work in the RFOs has pointed to savings of £.13m per annum after the first year and has been accepted in principle. An extensive study of expenditure (£5.8m in 1981/82) on HMSO goods and services was also undertaken to see if savings could be made by moving to alternative sources of supply. In the event it was decided that the advantage lay with HMSO, but this decision will be kept under review as major contracts fall due for renewal.

7. Savings have also been identified in existing computer based operations and from new computerisation. In 1982 a new

system for counting the unemployed was introduced based on computer records of claimants of unemployment benefit saving approximately 200 posts in MSC's Employment Service Division. A new system of producing employment statistics is being developed using database techniques. It is likely to be used for the 1984 census of employment with savings of about £1m on the exercise. The adoption of Chessington's standard payroll from April 1984 will produce savings on programme maintenance. 10 posts will be saved, mainly on Work Permit operations, by installing mini computer systems and 10 more when a new computer system to produce the RPI is introduced from early 1985.

8. Savings on publications have resulted from revising mailing lists, introducing royalty charges and pruning production costs, including going in-house where it is more economical to do so. Local budgets continue to play their part in the control of travel and subsistence expenditure.

9. Internal audit now includes effectiveness and efficiency within its remit and inter alia has suggested greater use of inter office comparisons on office cleaning contracts and pointed to differences in unit costs between redundancy payments offices.

10. Surveys are planned for 1983/84 of computer branch (400 posts), statistics division (300 posts), wages inspectorate (250 posts), careers service (70 posts) and three regional offices (535 posts). A major work measurement exercise will be the review of the staffing basis scheme which covers 25,000 UBS staff. Internal audit work in 1983/84 may also lead to the identification of further economies in running costs.

11. As will be obvious the control of running costs is being tackled in a variety of ways. The arrangements arising from the Financial Management Initiative will add an important new dimension to our efforts as costs of particular activities are more accurately identified and line managers are held accountable for them. Regular annual reviews by the Senior Management Group of which these costs will form a part, will, we are confident, lead to a wider use of management accounting techniques and tighter control over running costs.

DETAILED COMMENTS ON SIGNIFICANT VARIATIONS BETWEEN THE YEARS

1. Staff Pay Costs

Unemployment forecasts are .335m higher in 1982/83 than in 1981/82 and .265m higher in 1983/84 than in 1982/83. When the relevant increase in staff is taken into consideration the remaining percentage difference in costs is about 4% and includes provision for a 3½% increase in salary rates between 82/83 and 83/84. ERNIC figures have fluctuated considerably following changes in contribution earnings limits and the NI surcharge. Treasury has raised the notional superannuation charge in each of the years.

2. Personnel Overheads

Expenditure on travel and subsistence in 1981/82 was depressed because of industrial action in the first half of the year. In 1982/83 considerably more staff were employed notably in the benefit service where extra provision was made for travel and subsistence in connection with staff training, mainly for taxation of benefit. Misc 1983/84 includes provision for change to repayment for some CSD courses.

3. Accommodation Costs

The costs are based on figures supplied by PSA, apparently on different accounting assumptions one year from another. In 1983/84 they reflect some increase in space occupied as part of the programme to relieve overcrowding in unemployment benefit offices (UBOs) and include provision for some improvements in furnishing.

4. Office Services

Expenditure on postage in 1981/82 was abnormally low as stocks of official paid stationery were run down in preparation for the change to public postal methods. The 1982/83 figures reflect the introduction of the Young Workers Scheme (YWS), the extension of the Job Release Scheme (JRS) and an increase of over 10% in postal rates. The telecommunications increase in 1982/83 arises from a 15% increase in rates, increased activity due to rising unemployment and slippage from 1981/82 in installing new equipment. The reduction in stationery and printing costs in 1982/83 is mainly attributable to an accounting adjustment

with HMSO. JRS, YWS, taxation of unemployment benefit and the continuing rise in unemployment are all contributing to volume increases and there is provision for higher prices in 1983/84. The increased computer expenditure in 1982/83 is mainly attributable to the installation of a more powerful mainframe computer. Other administrative expenses rose in 1982/83 mainly because of the higher fees payable to members and part time chairmen of the Industrial and Employment Appeals tribunals and the settlement of the closed shop Court of Human Rights cases.

5. Other Services

The maximum face value of girocheques has been increased during 1982/83 with a consequent reduction in girocheque usage and therefore giro charges. The increased contract cleaning charge reflects the continued shift from direct to contract cleaning and a larger area to be cleaned.

6. Capital Expenditure

Over 50% of the 1981/82 expenditure for office machinery was on a bulk purchase of franking machines prior to the change to public postal methods. The 1983/84 estimate reflects provision for a bulk purchase of programmable calculators for use in UBOs. In 1982/83 £2m is being spent on replacement of the mainframe computer at Runcorn. There will be some residual associated purchases of equipment in 1983/84.

7. Receipts

Comparisons are affected by adjustments in respect of final outturns for previous years, the increase in the number of those claiming supplementary allowances and the change to repayment for accommodation.

DEPARTMENT OF EMPLOYMENT - SUMMARY

DESCRIPTION	1981-82 OUTTURN A	1982-83 FORECAST OUTTURN B	DIFFERENCE B - A %	1983-84 AGREED ESTIMATE C	DIFFERENCE C - B %
Total Staff Pay Costs (includes salaries, ERNIC, overtime, etc)	177,260	194,133	+ 9.5	210,574	+ 8.5
Notional Pensions	29,917*	36,435*	+ 21.8	44,430*	+ 21.9
Personnel Overheads					
Travel and Subsistence	5,177	6,838	+ 32.1	7,142	+ 4.4
Removals	1,037	1,140	+ 9.9	1,190	+ 4.4
Miscellaneous (Entertainment, Catering Support, Protective Clothing, Training - Payments to Outside Bodies)	141	101	- 28.4	217	+ 114.9
Accommodation Costs					
Accommodation Costs excluding rent	16,600*	18,006*	+ 8.5	-	-
Equivalent Market Rental	16,056*	17,886*	+ 11.4	-	-
Accommodation Charge (including costs borne on own vote)	-			42,330	-
Minor Works and Small Maintenance	-			4,857	
Fuel and Utilities	-			3,682	-
Furniture and Fittings	-			4,738	-
Office Services					
Postage	3,080	6,261	+ 103.3	6,242	- 0.3
Telecommunications	4,277	6,228	+ 45.6	6,612	+ 6.2
Stationery, Printing and Binding	5,334	4,807	- 9.9	6,932	+ 44.2
Computers and Office Machinery	945	1,871	+ 98.0	1,617	- 13.6
Publicity, Advertising, Publications and Library Services	322	305	- 5.3	329	+ 7.9
Vehicles (maintenance etc)	49	57	+ 16.3	60	+ 5.3
Miscellaneous (Inter-Departmental Despatch Service, Government Car Service and Custody Guards)	-	-	-	283	-
Other Admin Expenses	3,490	3,804	+ 9.0	4,695	+ 23.4
Other Services					
Post Office Giro and Bank Charges	1,209	1,040	- 14.0	760	- 26.9
Contract Cleaning	1,323	1,743	+ 31.7	2,236	+ 28.3
Other Agency Services and Payments to other Departments	2,255	2,199	- 2.5	1,510	- 31.3
Capital Expenditure	911	2,719	+ 198.5	1,459	- 46.3
Total Expenditure	269,383	305,573	+ 13.4	351,895	+ 15.2
Receipts	103,137	129,866	+ 25.9	120,452	- 7.2
Net Expenditure	166,246	175,707	+ 5.7	231,443	+ 31.7
Non-Voted Money included above					
* Notional Pensions	29,917	36,435		44,430	
* PSA Accommodation Costs	16,600	18,006		-	
	16,056	17,886		-	
	62,573	72,327		44,430	
	Appropriation A/C			Estimate	
Voted to DE	103,673	103,380		187,013	

DEPARTMENT OF EMPLOYMENT - UNEMPLOYMENT BENEFIT SERVICE

DESCRIPTION	1981-82 OUT-TURN A	1982-83 FORECAST OUT-TURN B	DIFFERENCE B - A %	1983-84 AGREED ESTIMATE C	DIFFERENCE C - B %
Total Staff Pay Costs (includes salaries, ERNIC, overtime, etc)	142,844	161,421	+ 13.0	175,135	+ 8.5
Notional Pensions	23,946 ⊗	30,067 ⊗	+ 25.6	36,660 ⊗	+ 21.9
Personnel Overheads					
Travel and Subsistence	3,802	5,178	+ 36.2	5,485	+ 5.9
Removals	757	870	+ 14.9	920	+ 5.7
Miscellaneous (Entertainment, Catering Support, Protective Clothing, Training - Payments to Outside Bodies)	108	76	- 29.6	169	+122.4
Accommodation Costs					
Accommodation Costs excluding Rent	14,243 ⊗	15,449 ⊗	+ 8.5	-	-
Equivalent Market Rental	13,776 ⊗	15,346 ⊗	+ 11.4	-	-
Accommodation Charge (including costs borne on own Vote)	-	-	-	36,284	-
Minor Works and Small Maintenance	-	-	-	4,162	-
Fuel and Utilities	-	-	-	3,155	-
Furniture and Fittings	-	-	-	4,060	-
Office Services					
Postage	2,543	5,318	+109.1	5,349	+ 0.6
Telecommunications	3,532	5,290	+ 49.8	5,666	+ 7.1
Stationery, Printing and Binding	4,405	4,084	- 7.3	5,941	+ 45.5
Computers and Office Machinery	536	858	+ 60.1	788	- 8.2
Publicity, Advertising, Publications and Library Services	268	261	- 2.6	281	+ 7.7
Vehicles (Maintenance, etc)	25	29	+ 16.0	30	+ 3.4
Miscellaneous (Inter-Departmental Despatch Service, Government Car Service and Custody Guards)	-	-	-	243	-
Other Admin Expenses	320	350	+ 9.4	370	+ 5.7
Other Services					
Post Office, Giro and Bank Charges	80	80	-	60	- 25.0
Contract Cleaning	1,105	1,496	+ 35.4	1,916	+ 28.1
Other Agency Services and Payments to other Departments	-	-	-	-	-
Capital Expenditure	651	822	+ 26.3	641	- 22.0
Total Expenditure	212,941	246,995	+ 16.0	287,315	+ 16.3
Receipts	90,949	117,642	+ 29.3	107,096	- 9.0
Net Expenditure	121,992	129,353	+ 6.0	180,219	+ 39.3
Non-Voted Money included above					
⊗ Notional Pensions	23,946	30,067		36,660	
⊗ PSA Accommodation Costs	14,243	15,449		-	
	13,776	15,346		-	
	51,965	60,862		36,660	

DEPARTMENT OF EMPLOYMENT - OTHER ADMINISTRATIVE COSTS

DESCRIPTION	1981-82 OUTTURN A	1982-83 FORECAST OUTTURN B	DIFFERENCE B - A %	1983-84 AGREED ESTIMATE C	DIFFERENCE C - B %
Total Staff Pay Costs (includes salaries, ERNIC, overtime, etc)	34,416	32,712	- 5.0	35,439	+ 8.3
Notional Pensions	5,971 ⊘	6,368 ⊘	+ 6.6	7,770 ⊘	+ 22.0
Personnel Overheads					
Travel and Subsistence	1,375	1,660	+ 20.7	1,657	- 0.2
Removals	280	270	- 3.6	270	-
Miscellaneous (Entertainment, Catering Support, Protective Clothing, Training - Payments to Outside Bodies	33	25	- 24.2	48	+ 92.0
Accommodation Costs					
Accommodation Costs excluding Rent	2,357 ⊘	2,557 ⊘	+ 8.5	-	-
Equivalent Market Rental	2,280 ⊘	2,540 ⊘	+ 11.4	-	-
Accommodation Charge (including costs borne on own Vote)	-	-		6,046	-
Minor Works and Small Maintenance	-	-		695	-
Fuel and Utilities	-	-		537	-
Furniture and Fittings	-	-		678	-
Office Services					
Postage	537	943	+ 75.6	893	- 5.3
Telecommunications	745	938	+ 25.9	946	+ 0.9
Stationery, Printing and Binding	929	723	- 22.2	991	+ 37.1
Computers and Office Machinery	409	1,013	+ 147.7	829	- 18.2
Publicity, Advertising, Publications and Library Services	54	44	- 18.5	48	+ 9.1
Vehicles (Maintenance, etc)	24	28	+ 16.7	30	+ 7.1
Miscellaneous (Inter-Departmental Despatch Service, Government Car Service and Custody Guards)	-	-		40	-
Other Admin Expenses	3,170	3,454	+ 9.0	4,325	+ 25.2
Other Services					
Post Office Giro and Bank Charges	1,129	960	- 15.0	700	- 27.1
Contract Cleaning	218	247	+ 13.3	320	+ 29.6
Other Agency Services and Payments to other Departments	2,255	2,199	- 2.5	1,510	- 31.3
Capital Expenditure	260	1,897	+ 629.6	818	- 56.9
Total Expenditure	56,442	58,578	+ 3.8	64,580	+ 10.2
Receipts	12,188	12,224	+ 0.3	13,356	+ 9.3
Net Expenditure	44,254	46,354	+ 4.7	51,224	+ 10.5
Non-Voted Money included above					
⊘ Notional Pensions	5,971	6,368		7,770	
⊘ PSA Accommodation Costs	2,357	2,557		-	
	2,280	2,540		-	
	10,608	11,465		7,770	

KEY RATIOS AND PERFORMANCE INDICATORS

Key Ratios

1. The relationship of operational to support staff is an obvious key ratio and is of particular importance where operational staff are being reduced. About 85% of the staff are employed in the Benefit Service and numbers have risen steadily in recent years. However it is important to establish the necessary monitoring information now and Table 1 is an assessment of the numbers engaged on operational and support work. The UBS has been included in the operational figures but it does include an unquantified small measure of support. The ratio of support to operational staff has remained broadly constant in total throughout the three years.

2. Table 2 shows the ratio of operational staff based in Regions to support staff in the Regional Offices in 1981-82. This information was originally produced as part of a pilot cost centre exercise. Year on year comparisons will be available next time. The variances have raised some questions which might not otherwise have been asked.

3. In other pilot cost centre work covering the Information Directorate and the Wages Inspectorate amongst other things the relationship of staff numbers to accommodation is being monitored. It may be of particular importance in the latter case as the number of field staff is reduced.

4. Comparisons of staff unit costs have been made in the course of the Regional Office pilot. We are also experimenting with comparisons of telephone service costs between UBOs in the same locality.

Performance Indicators

5. Staffing basis schemes are widely used in the Department, notably in the UBS which relies on work measurement and levels of work both actual and predicted to arrive at the optimum level of staffing. This scheme is monitored in a hierarchical way with local offices submitting returns to area offices and they to regional offices, who prepare regional returns for HQ. The

scheme is reviewed from time to time using work diary sheets, activity sampling and interviewing, so as to take account of significant changes in procedures. A management information system is being developed to include indicators of speed and accuracy in dealing with claims and a similar hierarchical approach will be followed with information aggregated according to need at local, area, regional and national levels.

6. Staffing is also directly related to work loads in for example the Central Pay Office and in regional office sections dealing with special measures and redundancy payments and in the finance section processing applications and making payments under the Job Release Scheme.

7. Review of output to staff in post and in some instances costs are used by HQ staff to monitor most operations, the output measures, generally intermediate, being those most appropriate to the activity concerned. Inter office comparisons are also made but variable local characteristics may make comparisons over time more useful as for example in the Wages Inspectorate. Table 3 shows the relationship of staff in the UBS to the unemployment register over the period 1973/74 to 1981/82 and reflects stady improvements in productivity.

8. A variety of performance indicators is also in use for monitoring work in common service areas such as the typing pool and reprographics.

TABLE 1

KEY RATIOS: DE

	TOTAL SUPPORT	SUPPORT EXCLUDING WORK CONNECTED WITH REST OF DE GROUP	RATIO OF SUPP TO OP	OPERATIONAL
1981/82 Outturn				
Personnel, complementing, welfare, inspection	944	850	1:34	
Common Services	726	676	1:43	
Finance	370	240	1:122	
Others	90	90	1:325	
TOTAL	2,130	1,856	1:16	29,265
1982/83 Estimates				
Personnel, complementing, welfare, inspection	1,020	950	1:34	
Common Services	716	684	1:48	
Finance	393	267	1:122	
Others	89	89	1:367	
TOTAL	2,218	1,990	1:16	32,723
1983/84 Estimates				
Personnel, complementing, welfare, inspection	977	909	1:35	
Common Services	747	720	1:44	
Finance	385	264	1:119	
Others	83	83	1:379	
TOTAL	2,192	1,976	1:16	31,479

Note All figures are man-years, permanent and casual

REGIONAL STAFFING 1981-82

(1)	(2)	(3)	(4)	(5)	(6)
REGION	OPERATIONAL & OUTSTATIONED STAFF	RO SUPPORT STAFF	AVERAGE STAFF SUPPORTED PER UNIT	AVERAGE STAFF SUPPORTED EXCL. ETU's	AVERAGE STAFF SUPPORTED EXCL. ETU's & TTC's
N	2,127	62.5	34.0	34.0	37.0
Y & H	2,701.9	74.6	36.2	36.2	38.8
SE	3,880.6	49.3	32.9	33.8	33.8
Lon	3,425.4	172.8			
SW	1,843.4	67.0	27.5	27.5	27.5
W	1,712.2	54.1	31.6	31.6	31.6
Mids	4,725	112.0	42.2	42.2	43.8
NW	3,983.9	111.5	35.7	38.1	39.6
Sc	3,360.9	81.3	41.3	41.3	44.0
TOTAL	27,760.3	785.1	35.4	35.9	37.1

Col 3: Includes staff engaged on staff work, training and welfare, and on premises, inspection and statistics, and includes the following units which provide services for more than one region:

Region	Staff Nos	
N	5	Typing Training Centre (TTC)
Y & H	5	" " " " " "
Lon	6	Executive Training Unit(ETU)
Mids	4	TTC
NW	11	7 ETU, 4TTC
Scot	5	TTC

TABLE 3

UNEMPLOYMENT BENEFIT SERVICE
(LOCAL OFFICE WORK ONLY)

YEAR	AVERAGE L.R. (000's)	AVERAGE STAFF IN POST	RATIO L.R. TO STAFF
1973-74	602	10,050	59 : 1
1974-75	689	11,503	60 : 1
1975-76	1,131	16,326	69 : 1
1976-77	1,402	19,106	73 : 1
1977-78	1,498	19,273	78 : 1
1978-79	1,445	19,139	76 : 1*
1979-80	1,396	16,456	85 : 1
1980-81	2,012	18,640	108 : 1
1981-82	2,825	25,012	113 : 1

NOTES

L.R. = Live Register of unemployed.

* 1978-79: a temporary misalignment and unemployment levels due to unexpected movements in the live register.

Our Ref
Your Ref
Date 3 March, 1983

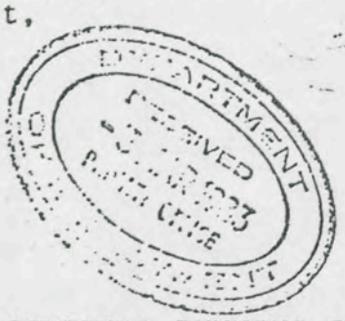
ANNEX B

Selkirk House
166 High Holborn
London WC1V 6PF

Telephone 01-836 1213

Chairman: David Young

The Rt. Hon. Norman Tebbit M.P.,
Secretary of State for Employment,
Department of Employment,
Caxton House,
Tothill Street,
London, S.W.1.



Dear Norman,

DEPARTMENTAL RUNNING COSTS

This letter provides my commentary on the review of MSC running costs which you wrote about on 7th December, 1982. The general shape of this letter follows the pattern of reply mentioned in Leon Brittan's letter of 17th November, 1982.

Departmental 'businesses'

In the context of this scrutiny, the four businesses relevant to MSC are the four sections that make up our grant in aid estimates, namely Employment Service, Professional and Executive Recruitment, Training Division and Commission and Central Services. Next year the Skillcentre Training Agency will be a fifth and we shall have to consider how we handle the Technical and Vocational Training Initiative.

Deviations from Previous Expenditure Patterns

The main commentaries on items showing marked deviations are gathered together under the four business headings to form Appendix A. As a definition of a marked deviation from past patterns, we have taken, for salary costs, any movement from the cash limit increases approved for 1982/83 and 1983/84. For General Administrative Expenditure, a difference of 20% and a further 10% in these two years compared with 1981/82 has been taken as a guide to items requiring comment.

The field for comparisons mentioned in Leon Brittan's minute included 1982/83 estimates. In the light of the high level of predicted MSC underspending in 1982/83, details of the estimate figures are not a useful standard for comparisons in the current exercise. Accordingly references to, and comparisons with, 1982/83 figures relate to forecast outturn levels.

Key Ratios and Performance Indicators

Appendix B lists a series of key ratios for running costs expressed as a per capita staff cost for each MSC business. Other key measures of performance which we are considering or are establishing experimentally include the relationship between office accommodation space and staff units in different offices; the costs of centralised MSC training and the costs

7/3/2

..../Cont.

of more localised training within the organisation; the cost of internal staff training and, separately, the cost of equivalent training externally; the ratio of telecommunications lines/ extensions to staff units; and the costs of different sorts of staff transfers. In addition, the MSC annual report shows the unit costs of major operational activities in the MSC businesses.

Our experience of the use of key ratios in isolation is limited. We shall continue to develop them to complement existing appraisals and review techniques in our approach to the scrutiny of expenditure.

Value for Money

Leon Brittan's letter asks what action we are taking to reduce running costs, improve control systems and get better value for money in the MSC.. Since the 1981 scrutiny of running costs, the following changes in policy, procedures and organisation have either contributed to planned reductions already, or will do so, in the use of manpower and expenditure resources:

(a) closure of five out of 14 area offices and 29 out of 98 district offices in ESD.

(b) merger of 44 SPD areas with 51 TSD districts into a TD 55 area office organisation.

(c) reorganisation of the Skillcentre management structure as a lead up to a self-financing agency arrangement from 1st April, 1984,

(d) integration of former ESD and TSD accounting offices into a unified MSC regional service.

(e) computerisation of the payment of training allowances.

(f) simplification in the structure of training and rehabilitation allowances.

(g) introduction of voluntary registration for employment.

(h) reduced activity and greater efficiency in PER working practices as a move to a financial break-even position.

(i) Treasury/MSC joint study of estimating telecommunications and postage expenditure.

(j) a project to ensure that the MSC is paying the most economical utilities tariff rates on all its premises.

(k) a study of MSC motor transport arrangements to ensure that there is a correct balance between use of private and official cars.

..../Cont.

Other resource control measures

In 1982 staff inspections led to a gross saving in salary costs of the order of £800,000. In addition, and excluding Rayner scrutinies, potential savings were identified during major organisation studies and reviews of staffing amounting to about £3 million. In 1983 there are further staff inspection and management services assignments concerned particularly with efficiency reviews. Included in this programme are the personnel branch and the head office sections responsible for major common services such as typing, secretarial staff, messengers and reprographic services. These are all labour intensive areas of work in the head office organisation.

A review of the grading of work in Jobcentres will be undertaken early in 1983 and followed by a work measurement exercise in the summer. Both of these are major reviews and will be undertaken jointly by Treasury and MSC staff. A review of the systems and procedures in MSC regional accounts offices is also included in the 1983 programme.

I hope that it will be clear from this reply that we are tackling the control of running costs in a variety of ways. Many of these coincide with the approach recommended in the report of the central review of running costs which we expect to receive shortly and which we shall implement as widely as possible in the MSC.

Yours ever

David

SCRUTINY OF DEPARTMENTAL RUNNING COSTS 1983

The contents of this appendix are arranged under the headings of MSC businesses. There are 4 sections. Each section consists of a table of items where there is a marked deviation in the pattern of expenditure over the period 1981-82 to 1983-84. In each case the table is followed by a commentary.

The order of sections is:

1 - Employment Service

2 - Professional and Executive Recruitment

3 - Training Services

4 - Commission and Central Services

APPENDIX A
Section 1

/INY OF DEPARTMENTAL RUNNING COSTS 1983

ie Employment Service Business

1983-84 Estimate £000s	ITEM	1983-84 Estimate Variation from: 1981-82 Outturn £000s	%	1982-83 Forecast Outturn £000s	%
	Salary costs				
101988	Total pay	+ 4056	4	- 974	1
	Current costs				
2361	Travel and subsistence	+ 597	34	+ 559	31
1122	Furniture and fittings	+ 434	63	+ 448	67
2071	Postage	+ 306	17	- 482	19
8224	Telecommunications	+ 2042	33	+ 924	13
2001	Stationery	+ 800	67	+ 77	4
1151	Printing and reproduction	+ 314	38	- 120	9
349	Computers	- 283	45	+ 149	75
	Capital costs				
648	Accommodation	- 451	41	- 16	2
1043	Telecommunications	+ 316	44	- 561	35
6077	Other capital expenses	+ 990	20	- 410	6
	Receipts				
11258	Payments by other departments	+ 10029	816	+ 7425	194

Salary costs

1. 1983-84 Estimates provide for an increase over previous years of 124 casuals for the flexible deployment of staff while permanent numbers are being reduced as a consequence of the Rayner scrutiny of ESD. Extra staff to administer the Community Programme are included in the staff figures. The net effect in cost terms will be 4% higher than the 1981-82 outturn total.

Current costs

2. Staff travel and subsistence savings arising from the reducing staff numbers will be more than cancelled by the increased incidence of travel and subsistence costs of the staff recruited for the Community Programme.

Furniture and fittings is the highest cost element increase over the 1981-82 level within the premises and accommodation resource provisions. New premises within the programme for employment rehabilitation facilities and the furnishing of 13 more Jobcentres in 1983-84 than in 1982-83 are major items in the increased costs.

4. Comparative postage costs in 1981-82 and 1983-84 are at about the same levels in real terms. The decrease compared with 1982-83 is because a postal procedure to check the currency of registrations when voluntary registration was introduced was a one-off exercise.

5. Telecommunications current costs in 1983-84 reflect the steady increase in the number of VACS installations (computerised on-line vacancy clearing systems in Jobcentre networks). Some of the increase is due to a slippage in the installation programme in 1982-83 which projects some costs into 1983-84. More telephone contacts by Jobcentres with employers are planned as recommended in the ESD Rayner scrutiny.

6. A major extra cost factor for stationery expenditure since 1981-82 is the implementation and expansion of Community Programme. There are also extra costs in connection with new procedures following the introduction in 1982-83 of voluntary registration.

7. The increase in printing and reproduction costs over 1981-82 levels stems mainly from printing requirements for the Community Programme.

8. Computer costs dropped 45% below the 1981-82 level in 1983-84 estimates. This is largely due to a reappraisal of the Job Bank project early in 1982-83 and the termination of the CAPITAL scheme earlier.

Capital costs

9. A slowing down of the Jobcentre Programme accounts for the reduction in overall costs on purchase of land and buildings and other accommodation capital costs by 1983-84.

10. The slippage in the VACS installation programme (see para 5) accounts for the 44% comparative increase over 1981-82 levels of telecommunications costs.

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1. The increase in receipts in 1983-84 arises from payments by DE for the administration of the Community Programme. The extra costs to which this increase is an offsetting factor are referred to in paras 1, 2, 6 and 7.

,TINY OF DEPARTMENTAL RUNNING COSTS 1983

ne Professional and Executive Recruitment Business

1983-84 Estimate	ITEM	1983-84 Estimate Variation from: 1981-82 Outturn		1982-83 Forecast Outturn	
£000s		£000s	%	£000s	%
	Salary costs				
3441	Total pay	- 838	20	- 332	9
	Current costs				
285	Accommodation (PSA)	- 150	35	- 152	35
334	Accommodation (non PSA)	- 176	35	- 179	35
1025	Postage	- 446	30	- 425	29
470	Printing and reproduction	- 490	51	- 249	35
1051	Publicity + advertising	+ 359	52	+ 263	33
	Receipts				
7732	Payments by outside bodies	+ 3187	70	+ 2312	43

Salary

1. The drop of 20% in salary costs matches the reduction of staff numbers (169) between April 1981 and April 1984. This slimming is part of the reorganisation of services as PER moves to a self-financing basis from 1 April 1983.

Current costs

2. The lower levels of expenditure in 1983-84 for accommodation, postage and printing all reflect the economy and efficiency measures introduced as a step to a nil cost trading position. The use of cheaper production methods for "Executive Post" and a more selective distribution of that publication should result in further savings.

3. A more aggressive marketing policy is planned in 1983-84 to attract a guaranteed level of business which will ensure a sound commercial operation and a financially balanced trading account. This will mean some increased publicity and advertising costs over the levels in preceding years. It is the only operational activity that does involve higher expenditure.

Receipts

4. The increase in 1983-84 receipts anticipates income from PER placings to fill staff vacancies in the Community Programme.

SCRUTINY OF DEPARTMENTAL RUNNING COSTS 1983

The Training Division Business

1983-84 Estimate £000s	ITEM	1983-84 Estimate Variation from: 1981-82 Outturn £000s	%	1982-83 Forecast Outturn £000s	%
	Salary costs				
96043	Total pay	+ 15136	19	+ 6373	7
	Current costs				
5783	Travel and subsistence	+ 2750	91	+ 877	18
19539	Accommodation	+ 8152	72	+ 3926	25
4882	Telecommunications	+ 2743	128	+ 2659	120
561	Computers	+ 513	1069	- 482	46
1838	PO, giro + banking services	+ 518	39	+ 421	30
	Capital costs				
161	Computers	- 196	55	- 3247	95
10469	Accommodation	+ 506	5	+ 3718	55
	Receipts				
3287	Direct training services	- 1867	36	- 2433	43
13739	Other receipts	+ 11128	426	+ 5367	64

Salary costs

1. Skillcentre staff numbers will decrease from 5020 on 1.4.81 to 3913 on 1.4.84. The consequential savings in salary costs will be partly offset by the increase in staff allocated for the administration of the Youth Training Scheme and the allocation of RMIU staff to Training Division in 1983-84. In total a 19% increase over the 1981-82 base year is expected.

Current costs

2. The increase in travel and subsistence expenditure over 1981-82 arises from an intensive programme to establish the Youth Training Scheme through personal contacts with potential scheme sponsors and the training of staff who will administer it. A rigorous standard is to be observed for setting up schemes and for monitoring the quality as well as the financial results. Courses to train staff to operate the new programme effectively will be organised at central points.

The reason for the increase in 1983-84 accommodation expenditure is the cost combining the former TSD and SPD organisations into the new TD area office network. Continuing costs of former separate offices, until their disposal can be arranged, will have to be met.

4. The factors which contribute to the increase over 1981-82 telecommunications expenditure include the installation of lines, telephones and associated modern equipment in the new TD area offices; the installation of automatic exchanges in Skillcentres; and price increases that have exceeded inflation factor additions.

5. The variations in current expenditure on computers since the 1981-82 outturn can be attributed to slippage in the installation programme of the TOPS minicomputer network. Compared with 1982-83 the reduction of 46% is due to the transfer of that installation project to the CCS business from 1983-84.

6. The increase in 1983-84 over 1981-82 for Post Office and banking services represents the additional costs arising from payments by girocheque to young people entering YTS Mode B2 schemes.

Capital costs

7. As mentioned in para 5 the TOPS minicomputer project has been subject to slippage and a transfer of resource allocation within MSC businesses. The reduced capital cost variations for computers reflects these two aspects.

8. The increase in accommodation capital expenditure over the 1982-83 forecast outturn level is the direct result of the cost of setting up the TD area office network.

Receipts

9. The reduced level of receipts from employers for direct training services reflects a reduced level of economic activity.

10. The general increase in other receipts 1981-82 to 1983-84 is largely due to the higher number of young persons being trained on YOP, and subsequently YTS, courses in Skillcentres. Receipts from the Department of Employment for Regional Manpower Intelligence work are being set [illegible] to this business from 1983-84

APPENDIX A
Section 4

SCRUTINY OF DEPARTMENTAL RUNNING COSTS 1983

The Commission and Central Services Business

1983-84 Estimate	ITEM	1983-84 Estimate Variation from: 1981-82 Outturn		1982-83 Forecast Outturn	
£000s		£000s	%	£000s	%
	Salary costs				
11683	Total pay	- 508	4	- 401	3
	Current costs				
531	Travel and subsistence	+ 127	31	+ 31	6
424	Permanent transfer expenses	- 818	66	- 1026	71
155	Staff training: external	+ 89	135	+ 75	94
224	Furniture and fittings	- 552	71	- 7	3
348	Postage	+ 43	14	- 160	32
845	Telecommunications	+ 281	50	- 325	28
839	Computers	+ 722	617	+ 693	475
2638	Publicity and advertising	+ 59	2	- 1052	29
2422	Payments to other departments	+ 418	20	- 407	14
	Capital costs				
1878	Accommodation	- 1737	48	+ 639	52
2966	Computers	+ 2884	3517	+ 2867	2896
	Receipts				
1981	Payments by other departments	- 1912	100	- 1981	100

Salary costs

1. The overall reduction in total pay costs from 1981-82 through to 1983-84 is due to the transfer of the resource allocation for 175 RD and RMIU staff to Training Division.

Current costs

2. Travel and subsistence costs have risen since 1981-82 because of the higher number of staff on duties involving regular travelling (mainly auditors) and the costs of commuting by staff between Sheffield and London throughout the dispersal period.

3. MSC dispersal to Sheffield was completed in December 1982. Consequential permanent transfer expenses [illegible] in 1983-84 but at a much lower level than previously.

The increased provision for external staff training has been necessary mainly in respect of specialist courses for new audit staff and a considerable amount of finance training for staff who will be concerned with the commissioning, monitoring and general control of expenditure on the new operational programmes.

5. The below 1981-82 expenditure level on furniture and fittings relate to a period when the Sheffield Head Office and Ranmoor Hall staff training centre was being established and estimates of expenditure were particularly uncertain.

6. The variation in 1983-84 postage costs is at about the approved inflation level since 1981-82 and is significantly below the 1982-83 levels. Some economies are attributed to the concentration of Head Office staff into a single MSC building and some of the difference reflects a reallocation of resources to TD.

7. The increase in telecommunications costs over 1981-82 is due to the number and standard of telecommunications facilities installed in the new Head Office building. These facilities contribute to cheaper and faster communications overall. Compared with 1982-83, costs in 1983-84 decrease because equivalent facilities are not required both in London and Sheffield.

8. The lower expenditure in 1983-84 reflects a general reduction of over 20% in planned MSC publicity expenditure and especially in respect of advertising the Employment Service.

9. Increased payments of 20% over the 1981-82 level relate to CoI costs for MSC commissioned expenditure on YTS publicity. Excluding this item a generally reduced level of MSC publicity expenditure is proposed and this shows up in the comparison with 1982-83.

Capital costs

10. The reduction in expenditure over 1981-82 follows from completion of the Head Office building in Sheffield. The increase over 1982-83 on the other hand is to meet expenditure committed to implementation of a "single roof" policy for ESD area and TD regional offices.

11. The 1983-84 increase, compared with previous years, is for computer capital costs related to the transfer from the TD business to CCS of the resources for the TOPS minicomputer and SPECTRUM systems. [illegible] in the context of a total MSC [illegible] for the [illegible].

ceipts

12. From 1983-84 the receipts from the Department of Employment for the costs of RMIU services are included in the TD business. Accordingly no comparison is valid for previous years.

SCRUTINY OF DEPARTMENTAL RUNNING COSTS 1983

Cash Prices

KEY RATIOS - Expressed as business per capita costs

EXPENDITURE ITEM	ESD	PER	TD	CCS
	£	£	£	£
Salaries				
1981-82	7732	8715	8216	9182
1982-83	8320	9552	8813	9958
1983-84	8703	10364	9132	9753
Travel and subsistence				
1981-82	144	410	323	308
1982-83	163	590	509	395
1983-84	210	498	574	450
Permanent Transfers				
1981-82	75	123	101	947
1982-83	72	180	111	1137
1983-84	90	97	116	359
External Training				
1981-82	8	2	18	50
1982-83	11	5	14	63
1983-84	12	3	27	131
Postage				
1981-82	140	3014	112	232
1982-83	205	3766	114	337
1983-84	177	3116	125	295
Telecommunications				
1981-82	489	602	218	430
1982-83	590	875	219	918
1983-84	704	729	466	716
Stationery				
1981-82	95	219	50	204
1982-83	157	286	56	263
1983-84	171	319	56	249
Printing etc				
1981-82	66	1967	99	223
1982-83	104	1368	98	293
1983-84	99	1429	107	273

ANNEX C

HEALTH AND SAFETY COMMISSION

1982 SCRUTINY OF RUNNING COSTS - COMMENTARY

Introduction

1 For some years HSE has run on behalf of the Commission an internal financial control system which includes annual reviews of the kind suggested by Sir Derek Rayner. We find that the cost grouping adopted in the E30 format required to be used for the estimates and Rayner exercise is not entirely suitable for our internal purposes, chiefly because of our position as a grant-aided body and because the major part of our costs are staff related. However the following notes of explanation refer to the information accompanying this commentary, which has been provided in the required format(Appendix A)and is based on outturn information for 1981-82, estimates and latest forecast outturn for 1982-83, and our Estimates submission for 1983-84.

Commentary on items of expenditure showing significant change

A STAFF PAY COSTS

2 This item accounts for the largest element in our budget. The total available in 1983-84 is constrained by the cash limit, based on PES + 3½%. Although total costs are estimated to rise by 4.7% compared with the forecast outturn for 82/83, the main reason for this is the large increase in our Superannuation liability. This, coupled with the increase in National Insurance but taking account of the reduction in the National Insurance Surcharge, means that the salaries provision can only rise by 2.7% over forecast outturn. A higher outturn is forecast for 1982/83 than originally estimated because of planned increases to cover the costs of increased superannuation and special awards to Nuclear and Mines Inspectors.

B PERSONNEL OVERHEADS

3 Cuts in our 1982-83 budget estimate for travel and subsistence have resulted in greater awareness being paid to this item during the year. This has resulted in turn in a small estimated underspend. The greater control is reflected in the estimate for 1983-84, though this is affected by the increased activity arising from dispersal of part of our headquarters to Bootle during the year. Similarly the

estimates for removals are affected because of the slippage of part of the Dispersal programme from 1982-83 to 1983-84. Training costs, which had been deliberately held back in previous years due to the cessation of recruitment, have been allowed to rise to complement the changes in staff due to the Dispersal programme.

C ACCOMMODATION COSTS

4 HSE is a Crown Body, and as such makes full repayment for the costs of accommodation provided by PSA. Accommodation costs are not easily varied in the short run but our system of local budgets ensures that so far as possible economies are made and costs kept to a minimum. The 1982-83 forecast outturn is inflated because of a large backdated rent increase due for one of our London buildings. We are reviewing our accommodation needs in London.

D OFFICE SERVICES

5 The cost of maintenance etc of computers has increased as expected to its current ongoing level, now that SHIELD is fully operational. The decreases in the Stationery budget are due mainly to a redefinition of this expenditure and, as a result of an internal organisational transfer of responsibility, corresponding additions appear in the Publications budget. We are confident that these items are well controlled, although the move to Bootle will have some distorting effect. The increases in other administrative expenses are entirely due to the hire of barristers, both in 1982-83 and 1983-84, for the public enquiry currently being undertaken into the proposed Pressurised Water Reactor at Sizewell 'B'.

E OTHER SERVICES

6 Contract cleaning has risen by some 14% due to the gradual changeover from direct to contract cleaning and, in 1983-84, the dispersal move to Bootle and to inflation. Other agency charges are estimated to rise substantially in 1983-84 due mainly to the recruitment of a consultant to assess future computing needs within HSE. The item Payments to other Departments is the cost of services provided by the Department of Employment for Payroll, Superannuation, Establishment and Statistical work. Most

the cost is an apportionment outside HSE's control but it is encouraging to note that the estimated cost for 1983-84 has fallen, for the first time since HSE's inception, due to critical reviews undertaken both by HSE and DE.

F CAPITAL EXPENDITURE

There was considerable slippage beyond HSE's control in the 1982-83 building programme because of delays within PSA and the slippage of the dispersal programme. The increased provision for 1983-84 allows for this slippage to be recovered. As reported last year, the replacement cost of our vehicle fleet has been reduced. The telecommunications item is a once and for all payment for a new telephone exchange and equipment at Bootle. Office machinery and other capital expenditure is also estimated to rise in 1983-84 mainly due to the effects of the Bootle move.

G OTHER CURRENT EXPENDITURE

8 The increase of 11.3% in 1982-83 forecast outturn over 1981-82 outturn is mainly due to the effects of the Heavy Gas Dispersal project(where receipts in 1981-82 have become payments in 1982-83).

H RECEIPTS

9 The reductions in estimated receipts are due to receipts in 1981-82 and 1982-83 for the Heavy Gas Dispersal project. Other receipts are estimated to rise in line with estimated costs.

Comparison of estimates for 1983-84 with outturn for 1981-82 & Estimates and forecast outturn for 1982-83

10 Our overall view is that within the limits imposed by the PES and Cash Limit systems we are succeeding in controlling our current expenditure and holding it, on most items, close to the levels achieved in 1981-82 and 1982-83. The picture is substantially distorted by the effect that the Dispersal of part of our headquarters staff to Merseyside is having, due mainly to slippage of our programme, but we are confident that the action currently being taken to control our expenditure is successful.

Action taken or intended to reduce running costs, to improve control systems and to improve value for money

11 In addition to the actions already identified above the following have also been achieved during 1982-83 or are planned for 1983-84:-

(i) A reorganisation of the Scientific and technical field support staff in the Inspectorates, previously organised separately with the Industrial Pollution Inspectorate and with HSE's Field Consultancy Groups, bringing them into new Field Scientific Support Units under central control serving the whole HSE field force. This should result in more efficient and effective management of this valuable resource.

(ii) Several staff inspections have been completed, including the headquarters of the Nuclear Installations Inspectorate, the HSE Area Offices (on which our field organisation is largely based), and the headquarters of the Agricultural Inspectorate. In 1983 inspections of the policy divisions are planned, beginning in March with an inspection of Safety Policy Division.

(iii) For monitoring and control of projects which support the Commission's programme of work a register of projects has been introduced in HSE. This together with the annual preparation and monitoring of divisional plans of work under HSE's planning system enables the Executive and heads of divisions to advise us on appropriate resource allocation and to monitor progress with our planned work more effectively.

(iv) Consultants have been engaged to advise HSE on our future computer needs, and to devise a strategy which will lead to action to meet those needs.

(v) The Research and Laboratory Services Division has implemented changes in its management and organisation to strengthen planning and control of our research and testing and support programmes.

(vi) During 1983 studies already begun will continue with a view to identifying suitable means of output measurement for health and safety programmes, together with useful performance indicators and key ratios.

(vii) We have carried out a Rayner study of accident information and its uses and will be considering proposals for replacing the existing notification requirements to establish, in the absence of BI 76 information via DHSS, a system of reporting accident and diseases which will satisfy our information requirements in a cost-effective way.

(viii) HSE introduced in 1982 a course directed to senior management in HSE on the management of resources; further courses will be run in 1983. (This is one aspect of our response to the Government's financial management initiative).

Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
E30A		

Treasury use only

STAFF NUMBERS	LINE CODE	LINE NO	1981-82 OUTTURN S-in-P 1.4.81 A	1981-82 OUTTURN S-in-P 1.4.82 B	1982-83 ESTIMATE 1.4.82 C	1982-83 ESTIMATE 31.3.83 D	1982-83 FORECAST OUTTURN S-in-P 1.4.82 E	1982-83 FORECAST OUTTURN S-in-P 31.3.83 F	1983-84 ESTIMATE SOUGHT 1.4.83 G	1983-84 ESTIMATE SOUGHT 31.3.84 H	1983-84 AGREED ESTIMATE 1.4.83 J	1983-84 AGREED ESTIMATE 31.3.84 K
		10 12	12 18	19 24	25 30	31 36	37 42	43 48	49 54	55 60	61 66	67 72
Permanent staff in manpower count — non-industrial	M01	001	3940	3723	3758	3807	3723	3669	3733	3733		
industrial	M02	002	88	91	87	91	91	91	91	89		
TOTAL STAFF IN MANPOWER COUNT M01+M02	M97	003	4028	3814	3845	3898	3814	3760	3824	3822		
Ministers	M03	004										
Other public employees e.g. locally engaged staff overseas — non-industrial	M04	005										
industrial	M05	006										
TOTAL staff in post M01 to M05	M98	007	4028	3814	3845	3898	3814	3760	3824	3822		

PES 1982 Provision for 1983-84

AFAE30 19.10.82

C.5.11 SEPTEMBER 1982

APPENDIX A

Form E30

H.M. TREASURY

Return to
Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no. Date

Treasury use only		
	Department Code	Business Code
1 E30B 4	5 7	8 9

Treasury use only

	LINE CODE	LINE NO.	1981-82 OUTTURN man-years A	1982-83 ESTIMATES man-years B	1982-83 FORECAST OUTTURN man-years C	1983-84 ESTIMATE SOUGHT man-years D	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN man-years E	% F	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE man-years G	% H	1983-84 AGREED ESTIMATE man-years J
		10 12	13 21	22 30	31 39	40 46	49 57		58 66		67 75
Total staff above expressed in man-years	M06	008	3906	3903	3770	3833	-136	-3.5	+63	+1.7	
Overtime man-years non-industrial	M07	009	23	28	21	28	-2	-8.7	+7	+33.3	
Industrial	M08	010	12	10	8	10	-4	-33.3	+2	+25.0	
Casuals man-years non-industrial	M09	011									
Industrial	M10	012									
TOTAL man-years M06 to M10	M99	013	3941	3941	3799	3871	-142	-3.6	+72	+1.9	

PES 1982 Provision for 1983-84

C.5.13

SEPTEMBER 1982

2 AFAE30A 10.10.82

Form E30

H.M. TREASURY

Return to

Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission/Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
E30B		

STAFF PAY COSTS (included in manpower count)		N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE J £ thousands
Permanent staff	non-industrial	11001	A01	014	35507	36676	37405	38402	+1898	+5.4	+997	+2.7	
	industrial	11001	A02	015	351	462	460	472	+109	+31.1	+12	+2.6	
Overtime	non-industrial	11001	A03	016	103	145	108	108	+5	+4.9	–	–	
	industrial	11001	A04	017	55	51	42	42	-13	-23.6	–	–	
Casuals	non-industrial	11001	A05	018									
	industrial	11001	A06	019									
Other pay costs incl employers superannuation contributions		11001	A07	020	7096	7390	8158	9350	+1062	+15.0	+1192	+14.6	
TOTAL A01 to A07		11001	A94	021	43112	44724	46173	48374	+3061	+7.1	+2201	+4.8	

C.5.15

SEPTEMBER 1982

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Treasury Expenditure Division

Department: Health and Safety Commission/Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
E308		

STAFF PAY COSTS (included in manpower count)		N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE J £ thousands
Employers ERNIC	non-industrial	11002	A08	022	3052	2019	2204	2528	-848	-27.8	+324	+14.7	
	industrial	11002	A09	023	35	28	24	28	-11	-31.4	+4	+16.7	
National Insurance Surcharge	non-industrial	11002	A10	024		824	659	534	+659	*	-125	-19.0	
	industrial	11002	A11	025		12	7	6	+7	*	-1	-14.3	
Less Statutory Sick Pay	non-industrial	11002	A12	026				91			+91	*	
	industrial	11002	A13	027				2			+2	*	
TOTAL NATIONAL INSURANCE A08 to A13		11002	A95	028	3087	2883	2894	3003	-193	-6.3	+109	+3.8	
TOTAL A94 + A95			A96	029	46199	47607	49067	51377	+2868	+6.2	+2310	+4.7	

PES 1982 Provision for pay and ERNIC for counted staff for 1983-84

C.S.17

SEPTEMBER 1982

2 AFAE30C 18.10.82

H.M. TREASURY

Return to Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission/Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
E30D		

STAFF PAY COSTS (excluded from manpower count)	N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE (Treasury use only) J £ thousands
Ministers	12001	A14	030	13	22	31	40	49		58		67
Employers ERNIC	12002	A15	031									
National Insurance Surcharge	12002	A16	032									
Judicial Officers	12001	A17	033									
Employers ERNIC	12002	A18	034									
National Insurance Surcharge	12002	A19	035									
Less Statutory Sick Pay	12002	A20	036									
Locally engaged staff abroad non-industrial	18001	A21	037									
industrial	18001	A22	038									
Other pay costs		A23	039	45	47	51	53	+6	+13·3	+2	+3·9	
TOTAL A19 to A23		A97	040	45	47	51	53	+6	+13·3	+2	+3·9	
TOTAL VOTED STAFF PAY COSTS A96+A97		A98	041	46244	47654	49118	51430	+2874	+6·2	+2312	+4·7	
Pension and gratuity liability (Notional)		N01	042									
TOTAL STAFF PAY COSTS A98+N01		A99	043	46244	47654	49118	51430	+2874	+6·2	+2312	+4·7	

PES 1982 provision for 1983-84

AFAK30D 18.10.82

C.5.19

SEPTEMBER 1982

Form E30

H.M. TREASURY

Return to Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
E300		

GENERAL ADMINISTRATIVE EXPENDITURE (Personnel Overheads)	NAC CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE J £ thousands (Treasury use only)
			10 12	13 21	22 30	31 39	40 48	49 57		58 66		67 75
Travel and subsistence	13001	B01	044	3502	3797	3731	4123	+229	+6·5	+392	+10·5	
Removals	13002	B02	045	653	2104	879	3198	+226	+34·6	+2319	+263·8	
Entertainment	13003	B03	046	7	9	8	10	+1	+14·3	+2	+25·0	
Catering support costs	13022	B04	047	14	4	8	8	-6	-42·9	—	—	
Protective clothing, uniforms, etc	13021	B05	048									
Training - payments to outside bodies	13030	B06	049	492	512	577	628	+85	+17·3	+51	+8·8	
TOTAL B01 to B06		B99	050	4668	6426	5203	7967	+535	+11·5	+2764	+53·1	

C.5.21

SEPTEMBER 1982

H.M. TREASURY

Return to
Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission/Executive

Business: HSC/E - Summary

Completed by: Telephone no. Date

Treasury use only		
	Department Code	Business Code
1 4 E308	5 7	8 9

GENERAL ADMINISTRATIVE EXPENDITURE (Accommodation Costs)		N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	Treasury use only 1983-84 AGREED ESTIMATE J £ thousands
PSA ESTATE	Accommodation costs excluding rent	13012	C01	10 12 051	13 21	22 30	31 38	40 46	49 57		58 66		67 75
	Equivalent market rental (Notional)		N02	052									
	Accommodation charge	15000	C02	053									
	Minor works for specialised accommodation	15000	C03	054									
	Fuel and utilities	15000	C04	055									
	Furniture and fittings	44004	C05	056									
	Small maintenance and jobs by contractors	18003	C06	057									
NON PSA ESTATE	Costs borne on own vote ie actual payments	13012	C07	058	9253	10968	11546	11506	+2293	+24·8	-40	-0·4	
	Notional costs ie equivalent market rents		N03	059									
TOTAL VOTED	C01+C02 to C07		C97	060	9253	10968	11546	11506	+2293	+24·8	-40.	-0·4	
TOTAL NOTIONAL	N02+N03		C98	061									
TOTAL	C97+C98		C99	062	9253	10968	11546	11506	+2293	+24·8	-40	-0·4	

C.5.23 - SEPTEMBER 1982

AFA230F 18.10.82

FC / E30

H.M. TREASURY

Return to

Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
1 4 E30B	5 7	8 9

GENERAL ADMINISTRATIVE EXPENDITURE (Office Services)	NAC CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE (Treasury use only) J £ thousands
			10 12	13 21	22 30	31 30	40 48	49 57		58 66		67 75
Postage	13004	D01	063	248	299	300	326	+52	+21·0	+26	+8·7	
Telecommunications	13005	D02	064	1461	1649	1835	1883	+374	+25·6	+48	+2·6	
Stationery	13008	D03	065	847	478	601	513	-246	-29·0	-88	-14·6	
Printing and binding, Reprographics	13008	D04	066									
Computers ~~Printers~~ (hire, maintenance, running costs)	13009	D05	067	235	373	365	390	+130	+55·3	+25	+6·9	
Office machinery (current expenditure)	13010	D06	068									
Publicity and advertising - other than COI	13011	D07	069	525	659	616	700	+91	+17·3	+84	+13·6	
Publications and library services	13030	D08	070	626	1137	1167	1198	+541	+86·4	+31	+2·7	
Vehicles (maintenance, running costs)	13020	D09	071									
Inter-departmental despatch service	18003	D10	072									
Government car service	18003	D11	073									
Custody guards	15000	D12	074									
Other admin expenses	13030	D13	075	93	103	138	278	+45	+48·4	+140	+101·5	
TOTAL D01 to D13		D99	076	4035	4698	5022	5288	+987	+24·5	+266	+5·3	

C.5.25

SEPTEMBER 1982

2 AFAE30G 10.10.82

H.M. TREASURY

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Return to
Treasury Expenditure Division

Department: Health and Safety Commission/Executive

Business: HSC/E - Summary

Completed by: Telephone no. Date

Treasury use only		
	Department Code	Business Code
1 E30B 4	5 7	8 9

GENERAL ADMINISTRATIVE EXPENDITURE (Other Services)	VAC CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	Treasury use only 1983-84 AGREED ESTIMATE J £ thousands
			10 12	13 21	22 30	31 39	40 48	49 57		58 66		67 76
PO agency services, GIRO charges, bank charges	13007	E01	077	7	8	8	8	+1	+14·3	—	—	
Contract cleaning	13006	E02	078	457	542	523	600	+66	+14·4	+77	+14·7	
Other agency charges, contract and consultancy services	13006	E03	079	221	232	214	277	−7	−3·2	+63	+29·4	
Payments to other departments	13030	E04	080	763	884	906	851	+143	+18·7	−55	−6·1	
TOTAL E01 to E04		E98	081	1448	1666	1651	1736	+203	+14·0	+85	+5·2	
TOTAL VOTED GAE B99+C97+D99+E98		E99	082	19404	23758	23422	26497	+4018	+20·7	+3075	+13·1	

PES 1982 provision for GAE for 1983-84

AFAB20H 18.10.82

C.5.27

SEPTEMBER 1982

H.M. TREASURY

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Return to

Treasury Expenditure Division

Department: Health and Safety Commission / Executive

Business: HSC/E.- Summary

Completed by: Telephone no. Date

Treasury use only		
	Department Code	Business Code
E30B		

OTHER COSTS AND RECEIPTS	N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE J £ thousands (Treasury use only)
OTHER COSTS (for which estimate provision is not sought) Services from other departments		F01	083									
Intra-departmental costs		F02	084									
TOTAL F01 to F02		F99	085									
TOTAL RUNNING COSTS - VOTED A98+E99		G96	086	65648	71412	72540	77927	+6892	+10.5	+5387	+7.4	
- NOTIONAL N01+N02+N03		G97	087									
- OTHER COSTS F99		G98	088									
- TOTAL G96 to G98		G99	089	65648	71412	72540	77927	+6892	+10.5	+5387	+7.4	
OTHER CURRENT EXPENDITURE not directly related to admin of central govt departments		H99	090	7658	8218	8520	8794	+862	+11.3	+274	+3.2	

C.5.29

SEPTEMBER 1982

Fo E30

H.M. TREASURY

Return to Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no. Date

Treasury use only		
	Department Code	Business Code
1 4 E30B	5 7	8 9

OTHER COSTS AND RECEIPTS (Capital Expenditure)	NAC CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	1983-84 AGREED ESTIMATE (Treasury use only) J £ thousands
			10 12	13 21	22 30	31 39	40 48	49 57		58 66		67 75
Land and buildings	41001	J01	091	1251	3474	2037	2567	+786	+62.8	+530	+26.0	
Vehicles	44001	J02	092	148	120	120	85	-28	-18.9	-35	-29.2	
Telecommunications	44002	J03	093	–	290	8	455	+8	*	+447	*	
Office machinery	44002	J04	094	158	176	88	201	-70	-44.3	+113	+128.4	
Computers	44002	J05	095	454	567	588	631	+134	+29.5	+43	+7.3	
Other		J06	096	1680	1803	2202	2453	+522	+31.1	+251	+11.4	
TOTAL CAPITAL EXPENDITURE J01 to J06		J98	097	3691	6430	5043	6392	+1352	+36.6	+1349	+26.8	

PES 1982 provision for capital expenditure for 1983-84

C.5.31

SEPTEMBER 1982

7 AFAE30J 18 10 82

Form E30

H.M. TREASURY

Return to

Treasury Expenditure Division

MANPOWER AND GAE ESTIMATES SUBMISSION 1982-83

Department: Health and Safety Commission / Executive

Business: HSC/E - Summary

Completed by: Telephone no.: Date:

Treasury use only		
	Department Code	Business Code
1 E30B 4	5 7	8 9

OTHER COSTS AND RECEIPTS (Receipts and work for other departments)	N.A.C. CODE	LINE CODE	LINE NO.	1981-82 OUTTURN A £ thousands	1982-83 ESTIMATE B £ thousands	1982-83 FORECAST OUTTURN C £ thousands	1983-84 ESTIMATE SOUGHT D £ thousands	DIFFERENCE 81-82 OUTTURN TO 82-83 FORECAST OUTTURN E £ thousands	F %	DIFFERENCE 82-83 FORECAST OUTTURN TO 83-84 ESTIMATE G £ thousands	H %	Treasury use only 1983-84 AGREED ESTIMATE J £ thousands
			10 17	18 21	22 30	31 39	40 48	49 57		58 66		67 75
Cash received from outside customers for repayment services and other recoveries	19001	Z01	098	5334	4725	5177	5120	-157	-2.9	-57	-1.1	
Payments received from other departments for services provided		Z02	099									
TOTAL VOTED RECEIPTS Z01+Z02		Z98	100	5334	4725	5177	5120	-157	-2.9	-57	-1.1	
Cost of services for other departments borne on own vote in allied services provided		Z04	101									
Cost of services provided to other businesses within own department		Z05	102									
TOTAL WORK FOR OTHER DEPARTMENTS Z04 to Z05		Z99	103									

C.5.33

SEPTEMBER 1982

2. AFAE30K 18.10.82

ANNEX D -

Advisory, Conciliation and Arbitration Service

11-12 St. James's Square, London SW1Y 4LA

Telephone Direct Line 01-214 8016
Switchboard 01-214 6000

3 March 1983

Rt Hon Norman Tebbit MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
LONDON SW1

Dear Secretary of State,

DEPARTMENTAL RUNNING COSTS

You asked in your letter of 7 December for a commentary on the lines outlined in Leon Brittan's letter of 17 November, on the 1983-84 estimates as against the 1982-83 estimates and forecast out-turn and the 1981-82 expenditure. I am sorry that this has been slightly delayed.

Staffing levels in the ACAS Group (which includes Central Arbitration Committee and Certification Office) will be reduced to 649 permanent and period appointee staff by 1 April 1984. in the past year the ACAS regional organisation (which accounts for over 80% of the ACAS Group staff) and the CAC have been the subject of Planned Reviews by DE teams with the possibility of a further review of ACAS Head Office scheduled later this year. The Certification Office was looked at in 1981. I feel that on the staff costs aspect I need only comment that the Service is on target to achieve the 1.4.84 figure.

As to General Administrative expenditure, you asked for comments on marked deviations from past patterns in the 1983-84 estimates. I take that to mean matters showing more than a 6% increase over the forecast out-turn for 1982-83 in which case, and using the forms E30 as a base, we have:-

Household removals (NAC Code 13002)	(+11%)	- This is due to the need to transfered trained and experienced staff to other ACAS regions.
Accommodation costs etc (NAC Codes 13012 etc)	(+19%)	- This is due to increased rentals and other charges, including the move of the ACAS Head Office to 11/12 St James's Square.

3 March 1983

Rt Hon Norman Tebbit MP
Secretary of State for Employment

Publicity and Advertising (NAC Code 13011)	(+400%)	- Put in perspective this is an increase from £1000 to £5000 to allow for the advertisement of a competition for a few Period Appointment Senior Industrial Relations Officers during 1983/84, There was no corresponding exercise during 1982/83.
Other Admin expenses (NAC Code 13030)	(+149%)	- To cover the ACAS contribution to the DE Second Workplace Industrial Relations Survey and the, as yet unpaid, costs arising from the legal proceedings in Grunwick versus ACAS

The overall gross 1983-84 estimate figure is 3.5% less than the 1982-83 estimate, 2.1% more than the forecast 1982-83 out-turn and 14.4% more than the 1981-82 out-turn. Increased salary and related costs account for the latter.

Yours sincerely

Pat Lowry

J P Lowry

File

da

10 DOWNING STREET

From the Private Secretary

MR. CASSELS
MANAGEMENT AND PERSONNEL OFFICE

The Prime Minister has asked me to thank you for your minute of 25 February, and for the report on the exercise to review the running costs of certain departments. The Prime Minister is grateful to those who took part in these reviews and to the members of the Rayner Unit who co-ordinated them.

The Prime Minister thinks that the test of this review will be whether it results in practical steps being taken to correct the failings of the present systems in the departments covered by this review and in the other departments. She has asked that this point should be stressed in circulating the report to departments, and when it is made available to the Treasury Select Committee and published.

T. FLESHER

7 March 1983

PRIME MINISTER

REVIEW OF RUNNING COSTS

Both Robin and I feel that you were a little hard on the review of running costs submitted with Mr. Cassels' minute of 25 February. We suggest that you look at paragraphs 62 onwards which do establish a number of proposals for future action by departments. Admittedly, these paragraphs do not stand out very well in the report, but they are summarised in paragraphs 3 to 6.

Lord Rayner and Clive Priestley both think that the review was worth undertaking and believe that it should be circulated (see Mr. Priestley's minute at Flag A). If you agree that the report should be circulated, there are two possible minutes attached. The first, at Flag B, reflects a slightly tougher approach than that originally proposed by Mr. Cassels and identifies you closely with the need to implement the lessons of the review. An alternative approach, at Flag C, distances you from the review and leaves it to Mr. Cassels to circulate it.

Do you agree that the report should be circulated? If so, do you prefer the minute at Flag B which associates you with it, or that at C which distances you?

4 March 1983

Flag C

I think

Will await results

Flag B

preferable

with reservations.

PERSONAL AND CONFIDENTIAL

Mr FLESHER

REVIEW OF RUNNING COSTS

We spoke recently. Lord Rayner's views and mine are as follows.

Lord Rayner's views

2. Lord Rayner:

(1) was content for the Cassels report to say that he had been consulted in its preparation and that it had his support (see para. 7 of the text);

(2) considered that the review had been a good piece of work upholding the basic principles of good financial management;

(3) considered that the draft he saw should be firmed up in tone; and

(4) believed that there should be a summary (now included as paras. 3 - 6).

My views

3. I repeat that the report was prepared by one of my staff, Mrs Thoms; was completed by another, Mr Trumper; includes some of my drafting; but is the responsibility of Mr Cassels.

4. The report is not as exciting as some other reviews, eg statistics or forms, because it is about systems, rather than particular functions, operations or activities: it was less about such colourful things as the £30 Government rat (or the £5 Government gerbil) as the reasons why such things happen. The colour - such as there is - therefore lies in the way the

culture of control work (see paras. 21 - 42) rather than in particular instances.

5. That said, the report gets across the big scale of running costs in Government (£14b in 1981-82, para. 45) and a sense of what such money would otherwise buy (para. 47). It brings out the duty of Ministers and officials to control such expenditure and makes a set of simple - but for nonchalent Government - seminal statements about the nature of that duty and how it should be acted upon (paras. 50, 55 - 61).

6. Looking ahead, the report suggests practical arrangements for putting its principles into practice (paras. 62 - 105), while entering a reasonable caveat to the effect that - if we mean it - we must stick at it and, to get sure progress, advance by means of pilots (paras. 107 - 108). It seeks to forestall cost arrangements by putting implementation costs side by side with running costs as a whole (paras. 109 - 110).

Advice

7. The review and the report contribute to the Financial Management Initiative. Indeed, the review pre-dated the FMI, springing from the belief that we would best get progress on the controls of running costs by showing - by means of detailed work in six departments - how a subject which many Ministers and senior officials consider beneath them should be tackled.

8. We are here dealing with the pennies, not the pounds, of public expenditure. Inevitably, the report is less exciting than other reports, but it does have the great merit of establishing in unmistakable terms how those pennies should be controlled.

9. The report is therefore a worthy component of the FMI. It merits endorsement by the Prime Minister, but probably in more direct terms than those of the draft letter submitted by Mr Cassels. I attach an alternative draft.

CP

C PRIESTLEY
4 March 1983

B

DRAFT OF 4 MARCH 1983

DRAFT MINUTE FROM MR FLESHER TO MR HALLIDAY (PS/HOME SECRETARY)

REVIEW OF THE CONTROL OF RUNNING COSTS

I enclose two copies of a report by John Cassels, Second Permanent Secretary in the Management and Personnel Office, on the multi-departmental review of running costs, which he has recently submitted to the Prime Minister, who has asked me to commend it to your Minister.

The Prime Minister has observed that, while the report deals with the pence rather than the pounds of public expenditure, they add up to a formidably large total. The taxpayer may reasonably expect them to be tightly controlled, in the belief that if central Government is weak here, it will be weak everywhere. Mrs Thatcher has also noted that the review sprang from the Annual Scrutiny of Departmental Running Costs which - whatever adjustments may be necessary to the detailed arrangements - is now, she hopes, a well established part of the management practices of a well-run department.

The Prime Minister has asked me to say that she endorses the report's conclusions, summarised on p V of the text, which she commends to the attention of Ministers in charge of departments and their senior staff. She sees the report as a useful contribution to the current Financial Management Initiative and would like to see its conclusions reflected in the White Paper to be published later this year. The Prime Minister considers, however, that the test of this review will be whether it results in practical steps being taken to correct the failings it reveals. She looks therefore to Ministers and their senior staff to ensure that the lessons of the review are ~~learn~~ fully ~~learned~~ applied in their Depts.

I am copying this to the private secretaries of Cabinet Ministers, Lord Rayner, Sir Douglas Wass and Sir Robert Armstrong.

T J FLESHER

cc SV

pa

7/3

PRIME MINISTER

MULTI-DEPARTMENT REVIEW OF RUNNING COSTS

I commend to you the report of the Review of Running Costs which Mr Cassels has just submitted (his minute to Mr Flesher of 25 February~~).~~ with TF

This has been a good exercise, very well co-ordinated and managed by Mrs E Thoms, a principal in the Rayner unit, now serving in the Treasury. I have met the examining officers in the 6 departments concerned and was impressed by their keenness and grasp. I believe that in each case they succeeded in submitting clear and well-founded reports to their supervising Ministers. As these are implemented, useful savings and better value for money will follow.

Our central team has built on the findings of the departmental reviews and the outcome is, I believe, a report which is both readable - and therefore likely to be widely influential - and practical. It will make an extremely timely contribution as the main implementation stage of the Financial Management Initiative gets under way.

The report is clear evidence of our determination to press on with our policy for good management in central government. This is the point I will emphasise when we release the report to the Treasury and Civil Service Committee of the House of Commons and to a wider public audience.

Janet Young

BARONESS YOUNG

28 February 1983

But the findings are disappointing. I see little point in circulating this. What it shows is total absence of good management. It will merely lead to more reading. Then we shall be asked why nothing done. MT

Prime Minister: Agree to circulate report as Mr Cassells proposes. JF 25/2

MR FLESHER

MULTI-DEPARTMENT REVIEW OF RUNNING COSTS

1. Last year, as part of the efficiency strategy and also in support of the Financial Management Initiative, a multi-departmental review of running costs was carried out by six departments:

Department	Supervising Minister
Education and Science	The Rt Hon Sir Keith Joseph Bt MP
Employment	The Rt Hon Michael Alison MP
Energy	The Rt Hon Nigel Lawson MP
Foreign and Commonwealth	The Rt Hon Douglas Hurd CBE MP
Trade	The Rt Hon The Lord Cockfield
Management and Personnel Office	The Rt Hon The Lady Young

2. All departments have completed their reviews and reported to their respective Ministers.

3. The review was co-ordinated by a central team led by Mrs Elizabeth Thoms, Rayner Unit. I attach the central report for the Prime Minister to see.

4. The report summarises the main findings of the departmental reviews (paras. 21-39), identifies common failings in existing arrangements (paras. 40-42) and sets out principles and broad guidelines for properly managing running costs (paras. 43-105). The theme of the report is that costs should be controlled by, and be the responsibility of, those people best placed to obtain cost effectiveness - who are generally the line managers (see paras. 55-61). From this follows the need for sensible practical arrangements, such as clear lines of authority and responsibility, effective levels of delegation, well-designed information systems and output measurements, proper training and the adaptation of central controls to suit the new circumstances. On all these the report offers guidance of immediate practical relevance to departments. For the longer term, I have commissioned my staff to draw up guidance for issue in the MPO's series of Management Guidelines in 1983-84.

5. I have flagged parts of the report referred to above which the Prime Minister may find to be of particular importance or interest.

6. Although the departmental reviews were started before the Financial Management Initiative the central report's recommendations support the principles set out in the White Paper on Efficiency and Effectiveness in the Civil Service (Cmd. 8616). The draft report was circulated to the Permanent Secretaries of all the departments taking part in the FMI for their comments. The general view was that the report fitted in well with departments' lines of development and provided useful support and practical guidance for the next stage in the FMI.

/7.

7. Their main concern was to ensure that everyone concerned with the FMI understood that detailed arrangements, for example those for delegation, would vary according to circumstances and to emphasise the importance of not underestimating the effort required by and cost of implementation. These points have been taken into account in the report.

8. If the Prime Minister is content, the next stage is for the report to be circulated to Ministers. I suggest that this is best done under a Private Secretary minute sent on her behalf. I attach a possible draft. I can if you wish arrange for my office to circulate copies of your minute and of the report to save you this chore.

9. The report will subsequently be sent to the Treasury and Civil Service Committee of the House of Commons and made publicly available. The publicity issued at that time will emphasise the relationship with the FMI so as to underline the importance of, but not pre-empt, the White Paper on the FMI to be published in July.

10. I am sending copies of this minute and the enclosure to the Private Secretaries to the Chief Secretary and the Lord Privy Seal and to Lord Rayner and Sir Robert Armstrong.

J.S. Cassels

J S Cassels

25 February 1983

DRAFT MINUTE FROM MR FLESHER TO MR HALLIDAY
(PS/ HOME SECRETARY)

REVIEW OF THE CONTROL OF RUNNING COSTS

I enclose two copies of a report by John Cassels, Second Permanent Secretary in the Management and Personnel Office, on the multi-departmental review of running costs, which he has recently submitted to the Prime Minister, who has asked me to commend it to your Minister.

The Prime Minister endorses the report's theme that costs should be controlled by, and be the responsibility of, those best placed to obtain cost effectiveness. The report may be regarded as a component part of the Financial Management Initiative and as providing useful practical guidelines for implementing some of its principles.

I am copying this to the private secretaries of Cabinet Ministers, Lord Rayner, Sir Douglas Wass and Sir Robert Armstrong.

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

"Review of Running Costs": report to the Prime Minister by J.S. Cassels, Management and Personnel Office, February 1983 (ISBN 0 7115 0052 5)

Signed CMWayland Date 28 February 2013

PREM Records Team

MC

Civil Service

(2)

Prime Minister

To note.
(You have already accepted the Chief Secretary's proposal.)

MCS 6/9

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/15698/82

Your ref:

Dear Leon

Thank you for sending me a copy of your minute of 5 August to the Prime Minister.

As you know, I am not persuaded that the line you have taken is the right way ahead. And I would not agree that "Departments already need the information contained in the Scrutiny in order to prepare their Estimates properly". The traditional way of preparing Estimates was to build them up on an item-by-item basis, in the way in which your proposals would perpetuate. This led to the sort of lax estimating that we have seen in the past and that the Joubert report focussed on. In particular, by taking responsibility for the make up of budgets out of the hands of individual managers, there is a very real risk of weakening the sense of responsibility for costs as they are incurred.

I believe that we would get better results by concentrating on getting the totals right - and that means getting them down - in the Survey and that the scrutiny of departmental running costs ought to be used for that purpose, rather than at the Estimates stage, when time is short, and Cabinet decisions have already been taken.

I am sending copies of this letter to the Prime Minister and the other members of the Cabinet, and to Sir Derek Rayner.

Yours ever

MICHAEL HESELTINE

The Rt Hon Leon Brittan QC MP

Civil Service

2

Prime Minister

17/11

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London SW1H 9AT

17 November 1982

Dear William,

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

As you know, the Prime Minister has agreed that this year's Scrutiny of Departmental Running Costs should be assimilated with the 1983-84 Estimates round. (My minute to her dated 5th ~~6~~ August which was copied to you, set out the procedure.) This means that instead of being wholly retrospective the scrutiny exercise will for the first time include the Estimates provision for manpower and related administrative expenditure for the coming year. The purpose of this is to increase the involvement of management at all levels, including departmental Ministers, in the setting of budgets.

Your officials will already have received copies of the new forms which should accompany Estimates submissions on manpower and related expenditure. I am writing to you now to let you know what we have in mind for the Ministerial commentaries which, as in previous years, will follow and complement the figures for the Scrutiny of Running Costs.

Following the recommendations of the Working Group which met earlier this year to consider the future of the exercise, a number of changes to the format of the exercise have been made. First, the returns and the related commentaries will be based on departmental "businesses" (which have already been agreed between your departments and the Treasury) rather than on each department as a whole. Second, the commentaries, instead of containing a comment on each and every item of expenditure need concentrate only on those items showing marked deviation from past patterns. This may have occurred because of substantial price increases, changes in the amount of the resource consumed, or for some other reason. Third, information about the key ratios and performance indicators used in departments will this year accompany the Estimates submissions. I hope that your own commentaries will show the conclusions you have drawn from these and how you propose to develop them for the future.

It would be helpful if you would include in your commentaries a statement on how, overall, the Estimates figures for the coming year (1983-84) compare with the outturn for the previous year (1981-82), and Estimates and forecast outturn for the current year (1982-83). An account of the action which you have taken, are taking or intend to take to reduce running costs, to improve control systems and to improve value for money (which may, for example, include the commissioning of management services exercises, scrutinies, staff inspections etc. to table particular problems) should also be included. From this we hope to find examples of good practice which can be included in management guidelines for the benefit of departments generally. And looking across departments, we shall, in conjunction with the MPO, be identifying aspects of expenditure which require service-wide attention through a review or scrutiny.

As in previous years, the Treasury will use the information contained in your commentaries to prepare a report to the Prime Minister on movements in running costs expenditure, and on the efforts being made to control this. In order to provide this report by the end of April, as the Prime Minister wishes, may I ask you to let me have the commentaries on each of your business by no later than 31 March?

I am copying this letter to all Ministers in charge of departments and to Sir Derek Rayner.

Yours ever
Leon

LEON BRITTAN

Civil Service: Annual Scrutiny of Departmental Running Cost Pt 2.

Joe TMP
Civil Service

10 DOWNING STREET

From the Private Secretary

9 August 1982

Dear John,

The Prime Minister has seen the Chief Secretary's minute of 28 August about the review of the scrutiny of departmental running costs. The Prime Minister has noted the progress which has been made on the review. She has agreed that this year's scrutiny of running costs should be carried out on the basis proposed by the Chief Secretary in association with the Estimates exercise, on the understanding that the Treasury will be ready to discuss the conduct of future scrutinies with the Department of the Environment and other Departments as necessary.

I am sending a copy of this letter to the Private Secretaries to Members of the Cabinet, Richard Hatfield (Cabinet Office) and Clive Priestley (Management and Personnel Office).

Yours ever,

Tim Flesher

TIM FLESHER

John Gieve, Esq.,
HM Treasury.

Agree with Chief Sec
that. This leaves the
Scrutiny on
Running Costs as
indeed to the
Estimates procedures
not

Prime Minister:

The Chief Secretary presents the results of the review of the Scrutiny of running costs. The main proposal is that the scrutiny should be linked with the Estimates. Only Mr Heseltine disputes he wishes it to be linked with PES. Sir Derek Rayner disagrees: (see flag A) In any event, Mr Heseltine's line would prevent any scrutiny this year. Agree Chief Secretary's line?

TL
6/8

PRIME MINISTER

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

In my minute of 1 February, I reported the results of the 1981 Scrutiny of Departmental Running Costs. I said then that the present form of the Scrutiny was unsatisfactory and that I would ask officials to examine how to improve it.

2. An interdepartmental working group of officials has examined this issue. I attach a copy of their recommendations. These have been discussed with departments generally. All but one agree. Derek Rayner has been kept in touch and he supports the recommendations.

3. The main proposal is that the Scrutiny should be assimilated with the annual Estimates procedures. That would cut out duplication of work. Departments already need the information contained in the Scrutiny in order to prepare their Estimates properly. Thus instead of a backward-looking exercise not directly related to the decision-taking process, the Scrutiny would become an integral part of the Estimates procedure.

4. Secondly, provision is made for departments to provide separate figures for their main businesses when there is a strong case for doing so, instead of aggregating them all together. In some cases, aggregating the costs of very different activities, eg Scottish prisons with the rest of the Scottish Office, has obscured trends rather than revealed them. Management accounting systems should enable departments to obtain and display information at whatever level of aggregation is useful, and the annual scrutiny must help rather than impede that development. This recommendation is

therefore a useful bridging step towards the systems advocated by the paper on financial management.

5. In addition, officials have examined the question of key ratios and performance indicators which you raised last year (your Private Secretary's minute of 1 June 1981). Broadly, their conclusion is that there is indeed scope for departments to develop measures of this kind, eg ratios relating common elements of cost such as accommodation, stationery and telecommunications to the staff costs with which they are associated, and ratios relating to the cost of front-line operations supporting activities such as personnel, accounts and office services. The working group recommends that such ratios should become a regular part of the scrutiny. This will take time. We should not expect great advances in time for this year's scrutiny. But the Treasury will press for the development of significant ratios as quickly as possible. Their main use will be within departments, but the Treasury should also be able to mount comparisons between departments of the way in which their ratios move over a run of 2 or 3 years.

6. As Michael Heseltine indicated to you in his minute of 19 July about the response to the Treasury and Civil Service Committee, he finds difficulty in accepting the first main recommendation. He would prefer to integrate the scrutiny with the Public Expenditure Survey, on the grounds that the Treasury should not challenge a department's Estimates once the main survey decisions have been taken, and that a scrutiny of running costs in the autumn would not fit well with the timing of the system for fixing manpower and administrative budgets in his department which he is introducing as a result of the Joubert Report.

7. I wholly agree with Michael that the main thrust of improvement must lie in introducing better systems in departments for the estimating and control of running costs. The Service-wide scrutiny should not hamper that prime objective. When those systems have been introduced and are showing results, the Treasury will be

ready to adapt its arrangements both for the scrutiny and, subject to any necessary Parliamentary approval, for the Estimates. But we have not reached that point yet. Even the system recommended by Mr Joubert does not yet exist on the ground, and other departments will take longer. Meanwhile we must keep up the pressure to reduce administrative expenditure. That cannot be done effectively as part of the Survey, which settles broad totals only. The Treasury's examination of the Estimates is therefore the right occasion for it, and associating the scrutiny of running costs with the Estimates will help to make it more effective.

... 8. Derek Rayner agrees; I attach a copy of his letter to me of 30 July. As he points out, unless the scrutiny is conducted this autumn, there cannot be one in 1982 at all. I hope therefore that we can all agree to go ahead as I have proposed on the understanding that the Treasury will be ready to discuss problems for the future with the DOE and other departments as necessary.

9. Your Private Secretary's letter of 15 March also asked about movements in the volume of resources consumed and intended action to retrench worrying expenditure. Now that expenditure is being controlled in cash rather than in volume terms, we do not have volume figures for all of the administrative costs which the Scrutiny covers. The dominating elements are however wages and salaries, and accommodation. You are familiar with what has happened on civil service manpower. The figure for 1 July of under 660,000 represents a reduction in numbers of 10% since 1 April 1979. As for accommodation, the size of the office estate was reduced by nearly 4 million sq ft between April 1979 and December 1981, and savings of about 1½ million sq ft are planned for 1982-83. The saving is proportionately rather smaller than in manpower (4m sq ft equals over 5%). That is because there have been some offsetting increases in local benefit offices and some new building, eg for computerising PAYE; and there is always a time-lag between reducing staff and reducing their accommodation. But the PSA are pressing ahead with their programme of reduction.

10. Examples of other action are:-

(a) the programme of cross-service reviews by the MPO of stores, transport, typing, messengers and telecommunications has yielded savings from 10% (telecommunications) to 40% (messengers);

(b) MPO have issued management guidelines arising from the studies at (a) which are intended to promote tauter management of these resources in future;

(c) further studies of telecommunications by the CCTA now in progress are expected to produce useful additional savings;

(d) the cross-service reviews of running costs and of the resource control of major executive units are now in progress.

11. The recent Rayner review of support services in R and D establishments typifies the general approach: all this work is aimed not only at immediate savings but at establishing principles and guidelines which should ensure better control in future. There is a close link between it and the financial management initiative which you launched on 17 May and which is tackling the need for better management and control at a deeper level.

12. The immediate issue is that of this year's scrutiny. The detailed instructions for this must issue at the beginning of September, but departments need to begin to prepare now. I propose that the 1982 scrutiny should go ahead on the basis I have suggested.

13. Copies of this minute go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

L.B.

LEON BRITTAN
5 AUGUST 1982

CHAPTER 8: SUMMARY AND CONCLUSIONS

8.1 We see a clear need to improve the impact of the running costs scrutiny in departments and to ensure that it is more useful to the centre in monitoring departmental performance. It must become an intrinsic part of the annual processes of financial management, and of practical help to management in setting departmental budgets and also a source of action at the centre.

8.2 We therefore recommend, subject to the reservations expressed by DOE that:

(a) the scrutiny should cease to be simply an historical exercise; it should become forward looking and an up-to-date tool for departmental management and the centre;

(b) the scrutiny be assimilated to the annual Estimates processes so as to become a basis for decisions there;

(c) departmental managers at all levels who are concerned with proposing or authorising Estimates bids have information about Outturn and Estimates before them in an appropriate form and be required to justify their bids or recommendations in the light of them;

(d) the present Forms A and B supporting departmental Estimates submissions be replaced with new annual scrutiny forms which can provide the data both for the running costs and the Estimates scrutiny;

(e) the exercise should be geared to the needs of managers and, where appropriate, a running costs return should be prepared for separate departmental "businesses" - as agreed with the Treasury;

(f) information on key ratios should become a regular part of the running costs scrutiny;

(g) following official-level discussions on Estimates submissions Ministers should submit commentaries on the running costs returns commenting, inter alia, on action taken, or to be taken, to reduce running costs or to improve value for money.

(h) those commentaries should be the basis for specific proposals for action to be put to Minister by the Treasury.

MANAGEMENT AND PERSONNEL OFFICE
WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01-273 3508
GTN 273
Switchboard 01-273 3000

Mr Kelly
Mr Hopkinson
Mr Ridley

The Rt Hon Leon Brittan QC MP

My dear Leon,

6 July 1982

ANNUAL SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I was very interested to see Michael Heseltine's letter of 21 July about the timing of the annual scrutiny. I agree that managers should be allowed to get on with their jobs and with deciding how best to use resources to meet priorities. My concern is with how departments go about allocating these resources.

2. Running costs are a special kind of resource. Often they look small when compared with programme expenditure and departments have tended to forget how much they add up to across government. The only way to get after them is to slog away at the detail, but I doubt whether the Public Expenditure Survey - which, as I understand it, is mainly concerned with broad magnitudes - is the right time to do it.

3. Michael Heseltine is right that Estimates have not so far been effective in controlling running costs. But this is why the annual scrutiny was introduced. I believe that bringing the two together will ensure that running costs get the attention they require at a time when both departments and the centre are in the business of thinking about detail.

4. I think we should also recognise that DOE are already ahead of most other departments in this particular game. The other members of the Working Group wanted the annual scrutiny to be linked to Estimates and in my view, it would be wrong to risk their wholehearted participation by reopening the timing question at this late stage. The essential thing is that we should have a scrutiny of running costs this year. It is now too late to link it to PES so either it must go ~~ahead~~ as part of Estimates or it will not go ahead at all.

5. I am copying this letter to Michael Heseltine.

Yours ever
Derek

DEREK RAYNER

cf
arranged for
27 April
at 1200
Noon
cl.
30/3

10 DOWNING STREET

Caroline

The meeting on 20 April with Barney Hayhoe now has to be extended to include the Chief Secretary and Mr Cassels (NIPO). The Chief Sec cannot make 20 April, so we will have to rearrange the date as well. Apologies.

Willie
26/3

departmental pressing

RC

010

Civil Service
Prime Minister 2

WR
22/3

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Treasury Chambers
Great George Street
LONDON SW1

19 March 1982

Dear Leon

DEPARTMENTAL BUDGETING SYSTEM

In my comments on the 1981 scrutiny of departmental running costs, I mentioned that I was considering how the Departmental budgeting system could be improved and that to that end a firm of consultants, Price Waterhouse Associates (PWA) were working with my officials on reviewing our system.

We have now had the consultants' advice and you may be interested to see the enclosed copy of their Report. As you will see, they conclude that the Department's present computerised accounting system could economically be adapted to the requirements of a budgetary control system and recommend a detailed implementation programme for introducing such a system to be integrated into the preparation and presentation of supply estimates. There are good prospects that the system they recommend will help managers to control their costs more effectively and I have decided in principle to introduce such a system and to move ahead as quickly as possible with the implementation programme.

Initially it may be possible to work within the constraints of the Parliamentary Vote provision. But as PWA point out, one of the essentials of a budgetary control system of the type recommended is that individual budget holders should have some degree of freedom in the use made of their budget allocation so as to achieve the most efficient use of resources. I am sure that this is right and my officials will be discussing with yours what changes in the present sub-head divisions of total Vote expenditure will be feasible in order to support this development.

I am copying to the Prime Minister, Janet Young, Michael Heseltine - whose Department is also considering developments in this field - and to Sir Derek Rayner.

Yours ever
Norman

NORMAN FOWLER

cc - Mr G. Hulme
Ministers
Mr Mason
Mr Partridge
Mr Huppell

File

Civil Service

BK

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

I wrote to you yesterday about the attached minute to the Prime Minister from the Secretary of State for the Environment. You will see that he makes two suggestions.

a) That the central Departments should play a more positive role in persuading departments to introduce more effective systems for controlling their staff and non-staff running costs, and that the Prime Minister should give an individual the task of negotiating the way forward department by department.

b) That more information should be made publicly available on departments' attempts to get to grips with their staff and non-staff running costs.

As you know, the Prime Minister has asked Mr. Hayhoe to come and report to her on the value of the annual scrutiny of departmental running costs and she will probably take this opportunity to ask him for his reactions to Mr. Heseltine's proposal. At first sight, a Treasury Minister would be the natural candidate for the task that Mr. Heseltine describes. However the Prime Minister would welcome Sir Derek Rayner's views on Mr. Heseltine's suggestions.

B/F 22/3

W. F. S. RICKETT

16 March 1982

RJ

MR WHITMORE

Civil Service.

10 DOWNING STREET

From the Private Secretary

15 March, 1982

Dear Adrian

Departmental Running Costs

On 8 February, I wrote to Terry Mathews setting out the Prime Minister's comments on the Chief Secretary's minute of 1 February, in which he reported on the 1981 scrutiny of departmental running costs.

In particular, I said that the Prime Minister not only attached great importance to the role and work of the central departments in consolidating the scrutiny as part of the continuing machinery of good management, but also would like your Minister to take a particular interest in this on her behalf.

The purpose of this letter is to let you know that the Prime Minister would very much like Mr. Heyhoe to report to her in person, in the near future, on

a) Intentions for developing and using the scrutiny in 1982-83;

b) Movements in the volumes of resources consumed since the Administration was formed which are acceptable or which require action; and

c) Intended action to retrench worrying expenditures.

Caroline Stephens here will be in touch with you shortly to arrange a suitable time.

B/F for date

Date fixed Tuesday 20 April at 16.45hrs

rearranged for 27 April at 12.00

I am copying this to Jim Buckley (Office of the Chancellor of the Duchy of Lancaster), John Kerr (H.M. Treasury). Terry Mathews (Chief Secretary's Office), Jeremy Colman (H.M. Treasury), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

Yours ever

Willie Rickett

Adrian Carter, Esq.,
H.M. Treasury

write AC

Prime Minister

Sir Derek suggests that you should have a meeting with Mr Hayhoe on this rather than call a Cabinet discussion. Agree?

CSR 12/3

PRIME MINISTER

Yes pmt

DEPARTMENTAL RUNNING COSTS

I have been thinking about this since the presentation and reception on 24 February, when I was sorry that your own enthusiasm did not meet with a better response from your colleagues. However, as I remarked at the time, the presentation probably had a greater impact than one might have assumed from discussion. An example of this may be what the Secretary of State for Energy said to me yesterday, that while his department is different from Mr Heseltine's, he is determined to develop a scrutiny of running costs which helps him and is appropriate to his department.

2. May I offer you these other thoughts?

3. The key question is how to get the official machine - those responsible for day-to-day management - to take the scrutiny of costs seriously and to do something about the evidence it produces. If officials do that, the whole thing will be much easier for Ministers. So while I can well understand that you might like to have another go at your colleagues, I believe that the weight of your office would at this moment be better applied to officialdom and notably the Treasury. I am not at all unhopeful about the prospects. Last week I had a good meeting with Mr Cassels and Treasury officials on improving the form of the annual scrutiny to make it more timely in relation to Estimates and more useful to both departments and the centre.

4. Mr Hayhoe, to whom you have given a lead assignment here, has asked his officials to advise him on these matters. May I suggest that your next step should be giving him a lead and that that would produce a good return for your time? If you agree, I suggest that your office should ask Mr Hayhoe to report to you orally in the near future on the following:

(1) Intentions for developing and using the scrutiny in 1982-83.

(2) Movements in the volumes of resources consumed since your Administration was formed which are acceptable or require action.

(3) Intended action to retrench worrying expenditures.

5. May I end by saying this? You have the will to control running costs. What you and your colleagues, need is the means to give your will, and theirs, effect. And you need evidence which convinces you that you are getting results. That is why spurring the Treasury on is the thing to do now. It will focus and concentrate your personal commitment.

Derek Rayner
12 March 1982

1. I agree with Mr Ricketts. It is a sad fact that this subject serves only to raise your colleagues' blood pressure if they attempt any coherent discussion of it.

1. MR. WHITMORE

2. PRIME MINISTER

AMW

9 Jan 82

Unless we do something with these figures, what is the point of collecting them? MT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

You commented on the Chief Secretary's submission on this subject that you thought it would be useful to have a discussion in E of the figures on running costs broken down Department by Department.

Both Sir Derek Rayner's Office and I advise against such a discussion. Your colleagues would strongly resent any attempt to compare the running costs of their Departments. It could, for example, lead straight into an argument between the Home Secretary and Mr. Heseltine, partly because the figures for the Home Office's running costs are greatly distorted by the increase in accommodation costs attributed to the Department by the PSA.

That is just one example, but Ministers in general would probably argue that comparisons between Departments are almost all spurious. It may be fair to compare this year's total fuel bill in one Department with last years, and to question the cost movement. It is not fair to compare the fuel bill of a Department with new, compact and well insulated offices with that of one housed in older buildings. At Flag A you will find a breakdown of running costs Department by Department. You will see that the estimates of the Department of Employment's running costs for 1981/82 are 42% higher than the provisional out-turn for 1980/81. This rise must be largely due to the large expansion of staff in unemployment benefit offices. The corresponding figure for the Department of the Environment is minus 0.1%, and this is because their staff reduction is the largest of the year. Ministers will all have reasons for saying that their case is different from that of their colleagues.

Even if it were possible to avoid comparisons between Departments, and to concentrate on the increases within Departments,

/ I

I am still not sure that there would be much value in collective discussion. At Flag B is a minute from Sir Derek Rayner's Office which gives some examples of how certain categories of expenditure have moved within Departments, and which sets out the reasons for these movements. I think these examples are typical of the sort of questions and answers that would arise in any discussion of a Department's running costs, and they show the level of detail into which a collective discussion would have to go. I am not sure that such a discussion would help to move matters forward. I think it is more important to concentrate on encouraging Departments to set their own houses in order. That was the purpose of the presentation you gave on 24 February. It is also the objective of the programme of work on financial and managerial control within Departments set out in the minute from the Chief Secretary you saw over the weekend. The following are also relevant:-

(a) The studies of arrangements in 6 Departments for estimating and controlling non-staff running costs which have now been launched.

(b) The resource control reviews of large executive units, such as the Royal Mint, and indeed the rest of the scrutiny programme for 1982.

(c) The specific studies of financial and managerial control in the Ministry of Defence, Department of Industry, Ministry of Agriculture, Department of Health, and the Ordnance Survey.

I hope that in the light of this you will agree that collective discussion of a breakdown of running costs Department by Department would not be worth while. Sir Robert Armstrong's Office advise me that if you were to hold such a discussion, it would have to be in Cabinet, and not in E Committee, since some of the large spending Ministers, like Mr. Fowler, are not members of E.

5 March, 1982.

GR

Mr RICKETT

ANNUAL SCRUTINY OF RUNNING COSTS

1. You asked for some examples of the kinds of question which the annual scrutiny throws up and the responses which departments make. The following are all drawn from the commentaries which departments submit to the Treasury.

MAFF

Q. Why did expenditure on entertainment increase from £80,000 in 1980/81 to an estimated £114,000 in 1981/82?

A. The greater part of the difference is accounted for by an extra £59,000 provided for entertainment arising from the UK Presidency of the European Community.

ODA

Q. Why did non-staff running costs increasing by 30% or more between 1980/91 and 1981/82.

A. Primarily due to more long distance telephone calls, need to provide uniforms for messengers, and provision of other new goods and services resulting from dispersal to East Kilbride.

Department of Employment

Q. Why did expenditure on stationery, photocopying, printing and publications rise by 96%

A. 69% of this is attributable to printing and distribution of forms previously on a DHSS vote. Also, stocks of envelopes are being built up prior to the change to public postal methods.

Northern Ireland Office

Q. Why are entertainment costs expected to rise by 52% in 1981/82?

A. The estimate was based on expectations of a recovery in the number of potential investors visiting Northern Ireland. In the event, industrial development activity has remained depressed and expenditure is not now expected to exceed 1979/80 outturn.

Crown Office

Q. Why are staff training costs expected to rise by 988%

A. This is due to the restoration of the Department's training programme which was completely suspended in 1980/81 because of the need to meet a fiscal penalty arising from an overspend the previous years.

2. The Treasury are not in a position to say whether these explanations are genuine. They have not gone back to departments on any of them. The point is, I think, that they are typical of the answers the Prime Minister would receive and unless she is prepared to go into a lot of detail (which her colleagues would probably not, in any case, have to hand), she would find herself no further forward.

Mrs E Thoms
5 March 1982

COMPARISON OF 1980-81 (PROVISIONAL OUTTURN) AND 1981-82 (ESTIMATES)
GROSS RUNNING COSTS (including P&G liability and equivalent market rental)

DEPARTMENT	1980/81 PROVISIONAL OUTTURN £M	1981/82 ESTIMATE £M	DIFFERENCE 80/81 TO 81/82 AMOUNT £M	%
DEFENCE	6,446.5	7,201.5	+ 755.0	+ 11.7
FOREIGN AND COMMONWEALTH OFFICE	259.1	294.6	+ 35.4	+ 13.7
OVERSEAS DEVELOPMENT ADMINISTRATION	36.3	42.1	+ 5.8	+ 15.9
AGRICULTURE, FISHERIES AND FOOD	194.3	223.5	+ 29.2	+ 15.0
INDUSTRY	124.9	141.1	+ 16.2	+ 13.0
ENERGY	25.4	29.8	+ 4.4	+ 17.2
TRADE	140.0	159.6	+ 19.6	+ 14.0
EMPLOYMENT	208.7	296.8	+ 88.1	+ 42.2
MANPOWER SERVICES COMMISSION	275.3	311.5	+ 36.2	+ 13.1
TRANSPORT	174.9	196.3	+ 21.4	+ 12.2
ENVIRONMENT	162.8	162.6	- 0.2	- 0.1
PROPERTY SERVICES AGENCY	403.0	438.1	+ 35.1	+ 8.7
HOME OFFICE	514.6	621.0	+ 106.4	+ 20.7
LORD CHANCELLOR'S DEPARTMENT	142.6	144.9	+ 2.2	+ 1.6
EDUCATION AND SCIENCE	58.2	62.6	+ 4.4	+ 7.6
HEALTH AND SOCIAL SECURITY	1,102.9	1,303.7	+ 200.8	+ 18.2
TREASURY	18.5	20.5	+ 2.0	+ 10.6
CUSTOMS & EXCISE	311.9	339.1	+ 27.2	+ 8.7
INLAND REVENUE	735.9	810.4	+ 74.5	+ 10.1
NATIONAL SAVINGS	139.0	159.5	+ 20.5	+ 14.8
CIVIL SERVICE DEPARTMENT	55.6	61.9	+ 6.2	+ 11.2
PAYMASTER GENERAL'S OFFICE	10.4	11.8	+ 1.4	+ 13.5
SCOTTISH OFFICE	136.8	155.2	+ 18.5	+ 13.5
WELSH OFFICE	41.9	46.3	+ 4.3	+ 10.3
NORTHERN IRELAND DEPARTMENTS AND SERVICES	245.1	280.7	+ 35.5	+ 14.5
TOTAL MAIN DEPARTMENTS	11,964.6	13,514.8	+ 1550.2	+ 13.0
OTHER DEPARTMENTS	319.7	389.0	+ 69.2	+ 21.6
TOTAL	12,284.3	13,903.8	+ 1619.4	+ 13.2

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

TABLE 1: PROVISION FOR CURRENT EXPENDITURE IN 1981-82

DEPARTMENT	WAGES AND SALARIES		PERSONNEL OVERHEADS		ACCOMMODATION COSTS		OFFICE SERVICES		AGENCY SERVICES		TOTAL PROVISION FOR CURRENT EXPENDITURE £m
	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	
DEFENCE	5,352.4	74.3	506.3	7.0	1,152.4	16.0	171.6	2.4	18.8	0.3	7 201.5
FOREIGN AND COMMONWEALTH OFFICE	177.8	60.4	23.8	8.1	57.1	19.4	27.8	9.4	8.1	2.7	294.4
OVERSEAS DEVELOPMENT ADMINISTRATION	24.6	58.6	2.8	6.7	6.0	14.2	2.5	6.0	6.1	14.6	42.1
AGRICULTURE, FISHERIES AND FOOD	131.2	58.7	15.1	6.8	26.7	11.9	11.1	5.0	39.4	17.7	223.5
INDUSTRY	87.7	62.2	4.9	3.5	21.2	15.1	15.0	10.6	12.3	8.7	141.1
ENERGY	15.1	50.9	1.5	5.2	3.8	12.8	2.1	7.2	7.1	24.0	29.6
TRADE	73.2	45.9	4.7	2.9	35.7	22.3	17.6	11.0	28.4	17.8	159.6
EMPLOYMENT	226.1	76.2	6.5	2.2	34.0	11.5	17.5	5.9	12.6	4.3	296.8
MANPOWER SERVICES COMMISSION	194.8	62.5	13.6	4.4	60.1	19.3	33.3	10.7	9.7	3.1	311.5
TRANSPORT	116.4	59.3	6.7	3.4	23.9	12.2	20.7	10.6	28.6	14.6	196.3
ENVIRONMENT	106.9	65.8	6.4	3.9	23.2	14.3	18.0	11.1	8.1	5.0	162.6
PROPERTY SERVICES AGENCY	303.4	69.3	16.0	3.7	35.0	8.0	12.6	2.9	71.2	16.2	437.1
HOME OFFICE	443.8	71.5	19.6	3.1	135.6	21.8	17.8	2.9	4.3	0.7	621.0
LORD CHANCELLOR'S DEPARTMENT	89.0	61.4	5.9	4.1	28.5	19.7	12.5	8.6	9.0	6.2	144.9
EDUCATION AND SCIENCE	41.0	65.5	2.7	4.3	12.3	19.7	5.7	9.2	0.9	1.4	62.6
HEALTH AND SOCIAL SECURITY	774.9	59.4	24.2	1.9	113.2	8.7	113.8	8.7	277.6	21.3	1,303.7
TREASURY	13.7	67.1	0.4	1.9	3.2	15.7	1.6	7.9	1.5	7.5	20.5
CUSTOMS & EXCISE	256.0	75.5	17.9	5.3	38.2	11.3	19.7	5.8	7.2	2.1	339.1
INLAND REVENUE	605.6	74.7	19.5	2.4	111.5	13.3	64.8	8.0	8.9	1.1	810.2
NATIONAL SAVINGS	64.6	40.5	1.0	0.6	8.7	5.4	19.3	12.1	65.9	41.3	159.5
CIVIL SERVICE DEPARTMENT	35.2	56.9	3.7	5.9	9.0	14.6	8.5	13.8	5.5	8.8	61.9
PAYMASTER GENERAL'S OFFICE	6.5	55.2	0.1	0.8	1.0	8.5	2.7	22.6	1.5	12.9	11.8
SCOTTISH OFFICE	109.1	70.3	6.2	4.0	22.8	14.7	10.0	6.4	7.1	4.6	155.2
WELSH OFFICE	22.4	48.5	1.5	3.2	3.3	7.1	3.7	7.9	15.4	33.4	46.3
NORTHERN IRELAND DEPARTMENTS AND SERVICES	202.0	72.0	11.3	4.0	37.6	13.4	15.3	5.5	14.5	5.2	280.7
TOTAL MAIN DEPARTMENTS	9,473.6	70.1	722.2	5.3	2,004.1	14.8	645.2	4.8	669.6	5.0	13,514.8
OTHER DEPARTMENTS	242.9	62.4	17.8	4.6	48.5	12.5	29.7	7.6	50.0	12.9	389.0
TOTAL	9,716.5	69.9	740.0	5.3	2,052.7	14.8	674.9	4.9	719.7	5.2	13,903.8

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

E 2: NET COSTS OF DEPARTMENTS 1981-82

DEPARTMENT	TOTAL PROVISION FOR CURRENT EXPENDITURE £m	CAPITAL EXPENDITURE £m	RECEIPTS £m	NET TOTAL COSTS £m
DEFENCE	7,201.5	230.5	811.1	6,620.9
FOREIGN AND COMMONWEALTH OFFICE	294.6	20.9	38.0	277.5
OVERSEAS DEVELOPMENT ADMINISTRATION	42.1	1.3	0.4	43.0
AGRICULTURE, FISHERIES AND FOOD	223.5	20.6	40.2	204.0
INDUSTRY	141.1	17.7	50.3	108.4
ENERGY	29.8	0.6	2.7	27.7
TRADE	159.6	1.4	57.9	103.0
EMPLOYMENT	296.8	1.7	188.4	110.0
MANPOWER SERVICES COMMISSION	311.5	43.8	22.4	332.9
TRANSPORT	196.3	2.5	57.1	141.7
ENVIRONMENT	162.6	6.8	41.4	128.0
PROPERTY SERVICES AGENCY	438.1	0.3	85.3	353.1
HOME OFFICE	621.0	107.7	40.5	688.2
LORD CHANCELLOR'S DEPARTMENT	144.9	34.3	61.1	118.1
EDUCATION AND SCIENCE	62.6	1.7	0.4	63.9
HEALTH AND SOCIAL SECURITY	1,303.7	25.0	508.2	820.6
TREASURY	20.5	0.4	1.2	19.6
CUSTOMS & EXCISE	339.1	10.7	13.8	335.9
INLAND REVENUE	810.4	14.9	47.8	777.5
NATIONAL SAVINGS	159.5	0.9	68.9	91.5
CIVIL SERVICE DEPARTMENT	61.9	2.8	11.3	53.4
PAYMASTER GENERAL'S OFFICE	11.8	1.1	10.8	2.1
SCOTTISH OFFICE	155.2	23.5	8.1	170.6
WELSH OFFICE	46.3	1.4	2.0	45.6
NORTHERN IRELAND DEPARTMENTS AND SERVICES	280.7	16.6	14.2	283.0
TOTAL MAIN DEPARTMENTS	13,514.8	589.1	2,293.3	11,920.4
OTHER DEPARTMENTS	389.0	17.2	109.8	296.3
TOTAL	13,903.8	606.2	2,293.3	12,216.7

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

3pp

Cabinet Secretary

MR RICKETT WN 8/3

ANNUAL SCRUTINY OF RUNNING COSTS

I understand that the Prime Minister has it in mind to discuss with her colleages (perhaps in E Committee) the results of the annual scrutiny of running costs and to question and compare departmental totals under the various subheads.

2. It is likely that Ministers would argue, with some justification, that comparison between departments can easily be spurious. For example, whilst it is fair to compare this year's total fuel bill with last year's and question the cost movement. it is not fair to compare the fuel bill of a department with new, compact and well insulated offices with that of one housed in older buildings and conclude that the former is ahead because its bill is lower.

3. What matters is that each department should question its own costs and make sure that the managers down the line who actually incur them are questioning too.

4. Three things help with this on top of the scrutiny of running costs itself and individual Departmental scrutinies and reviews:

(1) the general squeeze on resources set up by the Government's retrenchment policy;

(2) this year's reviews of resource control and of running costs, which are intended to produce a more permanent reform than ad hoc exercises; and

(3) the MPO's Service-wide reviews of such functions as messengerial and typing services.

5. There is a good question about how the Prime Minister might bring her own influence to bear. She has already done so by means of the exhibition in No 10 in December 1980 and of the recent presentation and reception aimed at launching the reviews of resource control and running costs, the presentation being intended in part to enable Ministers to say how they were getting on with the control of running costs. I would counsel against a top-hat discussion with senior Ministers' held in the near future. Briefing the PM and departmental briefing of her colleagues in enough depth and detail to discuss the annual scrutiny in E would be enormously time consuming for her and for them and discussion must entail a risk of acrimony and resentment.

6. My advice would therefore be as follows:

7. The PM has given two relevant assignments to the Treasury (your letter to Mr Mathews of 8 February refers):

(1) The Chief Secretary should let her know the outcome of the review of the form of the summary. (Sir Derek Rayner is meeting Treasury officials on 4 March to discuss this and how the Treasury can best make use of the information obtained through the annual scrutiny).

(2) The Minister of State (Commons) (Mr Hayhoe) should take a particular interest on her behalf in establishing the scrutiny progressively as a matter of routine good management in departments.

8. As the PM has indicated that the central departments should consider how to make full use of the information without "harassing other departments" and that they should move progressively towards a sensible delegation of their authority to departments in return for the audit of departmental systems as the need arises, I think that she might call for a report from the Treasury on how they are progressing these two assignments to reach her by, say, end-April.

9. I offer that counsel because I think it is reasonable for the PM to look to the central departments as the obvious instrument of her will in this matter and as being well equipped to get into the sort of detail which - to be frank - I do not think a Ministerial meeting is. I regard the centre as having a real and continuing job to do in analysing and putting to good use the annual scrutiny information. As I see it, it can use it in 3 ways:

(1) As a basis for selective audit. If no good explanation is offered for apparently anomalous price movements, or if the costs of a particular activity, service or commodity, across the Service look disproportionately high, the centre can use its assignment staff to help departments get after the problem.

(2) To probe departments' figures when estimates are being finanalised and to establish targets for keeping running costs down in the coming year.

(3) To identify evidence of problems which fall square within the centre's responsibilities (for example, the discrepancy between estimates and outturn costs identified in this year's annual scrutiny).

10. For the immediate future, I think we might await the outcome of Sir Derek Rayner's meeting on 4 March. After that, I will ask to let you have a further draft letter to Mr Mathews which would seem a natural follow-up to the presentation/reception on 24 February.

E Thoms

MRS E THOMS

3 March 1982

Civil Service
55

LIST OF GUESTS ATTENDING THE PRESENTATION ON COST CONTROL ON WEDNESDAY, 24 FEBRUARY 1982 AT 1700 HOURS FOLLOWED BY DRINKS

Home Office	
Rt. Hon. William Whitelaw, MP	
Sir Brian Cubbon	
Mr. Michael Butler	Examining Officer
FCO	
Sir Michael Palliser	
Mr. A.F. Green	Examining Officer
M/Defence	
Rt. Hon. John Nott, MP	
Sir Frank Cooper	
Air Marshal Sir Alan Davies	Head of Resource Control Team
Dr. John Miles	" " " "
D/Education and Science	
Rt. Hon. Sir Keith Joseph, MP	
Sir James Hamilton	
Miss A.M.J. Benham	
Scottish Office	
Mr. Malcolm Rifkind, MP	
Mr. A.L. Rennie	Secretary, Scottish Home and Health Department
Department of Employment	
Rt. Hon. Michael Alison, MP	
Sir Kenneth Barnes	
Mr. Steven Cook	Examining Officer
Department of Trade	
Rt. Hon. John Biffen, MP	
Mr. Reginald Eyre, MP	
Mr. Michael Franklin	
Mr. Julian Mackenny	Examining Officer
Mr. Blundell	" "

Department of Energy

Rt. Hon. Nigel Lawson, MP

Sir Donald Maitland

Dr. J.M. Bird

MPO

Rt. Hon. Baroness Young

Sir Robert Armstrong

Mr. J.S. Cassels

Mr. N.B.J. Gurney — Member of central team for resource control review

Miss J.M.E. Buchan — Examining Officer

Mr. Russell

Mr. Robin Bunce — Principal, Treasury

Sir Derek Rayner

Mr. Clive Priestley

Mr. I.B. Beesley — Member of central team for resource control review

Mrs. E. Thoms

Treasury

Rt. Hon. Leon Brittan, MP

Sir Anthony Rawlinson

Mr. R.W.L. Wilding

Mr. Barney Hayhoe, MP

Dr. Gerhard — Royal Mint

Department of the Environment

Rt. Hon. Michael Heseltine, MP

Mr. G.W. Moseley

Mr. P.J. Harrop

Mr. David Edmonds

Mr. Joubert

Mr. Alfred

Mr. Ennals

Mr. Chipperfield

Mr. Routh

Mrs. McDonald

Miss Booth

30

10 Downing Street

Mr. Willie Rickett

Mr. Andrew Duguid

Mr. Alan Davies-Jones

3

Civil Service
Running Costs

Prime Minister
civil service
I am sure X is right
MT 2/3

PRIME MINISTER

RUNNING COSTS PRESENTATION & RECEPTION, 24 FEBRUARY

The staff of the Rayner unit have asked me to thank you for your very kind hospitality at the reception last Wednesday and I add my thanks to theirs.

2 The presentation itself may have got a generally disappointing response from most of those who spoke up, but the examining officers have carried back to their departments a clear impression of how much you yourself care about the good service of the Crown and the people. That will do a power of good down the line, where it marches with the best instincts of the Service. So may we also thank you for your sustained and determined leadership?

X

CP

C Priestley
1 March 1982

Prime Minister
I think you will want to concentrate on Mr Priestley's "Guide to Proceedings" and especially his paras 12 to 20 on handling the discussion (Flag A). We need to avoid giving ministers the impression that they are being told how to run their Departments.

WM
23/2

PRIME MINISTER

PRESENTATION ON CONTROL OF STAFF AND NON-STAFF RUNNING COSTS,
LARGE DINING ROOM, 5 00PM, WEDNESDAY 24 FEBRUARY

BACKGROUND AND PURPOSE

1. The presentation is being made at your request to a larger audience following the one given you by Mr Heseltine and his staff on 11 November last.

2. The purpose of the presentation is not to insist that everyone conducts his/her affairs à la Heseltine but to

- demonstrate your continued support for "good management" policies;
- encourage those Ministers and departments now engaged in this year's reviews of Executive Operations (Resource Control) and of Running Costs (see below); and
- stimulate discussion by means of a "scene-setting" opener by the Chief Secretary on relevant Treasury policies and a longer pitch by the SS/Environment and two of his officers on DOE's experience.

GUIDE TO THE PROCEEDINGS

3. I attach a guide to the proceedings which you may like to use as a brief during the presentation. It offers advice on your own part in opening the presentation and presiding over discussion; outlines the contributions to be made by Mr Brittan and Mr Heseltine; and interleaves some cautionary notes on the undercurrents.

DOCUMENTATION

4. Your private secretary has circulated at Mr Heseltine's request the following papers (your copies are in this folder, flagged as indicated):

1. and 2. Fact sheets on DOE(Central) and the Property Services Agency.

3. A summary of the re-organisation of the Construction Industries Directorate consequent on the use of the MINIS system.

4. Extracts (yellow and blue pages) from the MINIS documentation on the Construction Industries Directorate.

5. Mr Heseltine and his team will refer to the documents at 3. and 4.

6. In case you wish to refer to them, I attach copies of background notes prepared for Lady Young by MPO on the Resource Control and Running Costs reviews (flagged).

ATTENDANCE

7. I attach a list (flagged) showing those present, about 50 in all.

8. The audience consists, apart from Sir Derek Rayner and me, of four groups - the Central Departments, the Presenters (DOE), those taking part in the Review of Executive Operations (Resource Control Reviews)* and those taking part in the Review of Running Costs.

* This title is both a mouthful and confusing. The difference between Resource Control and Running Costs is that whereas the latter is indeed about running costs, the former is about the management of big operations like the Prison Service, RAF Support Command and the Meteorological Office. You may think that a better title would be MANAGEMENT REVIEW.

9. I deal with some of the cross-currents in the Guide to the Proceedings (attached) but you may like to be reminded at this point that this year's Government-wide reviews (including Personnel Work, which starts later) are co-ordinated by Mr Cassels, in association with Sir Derek Rayner and with the support of a small "central team" for each review. Mr Beesley (Rayner Unit) and Mr Gurney (MPO) are the central team for Executive Operations; Mrs E Thoms (Rayner Unit) is the leading administrative officer for Running Costs.

CP

C PRIESTLEY
23 February 1982

Encs: Guide to the Proceedings
DOE Papers
Background Notes on Resource Control and Running Costs Reviews
List of those attending

PRIME MINISTER

PRESENTATION ON 24 FEBRUARY: GUIDE TO THE PROCEEDINGS IN THE LARGE DINING ROOM

SEATING ARRANGEMENTS

1. The dining table will have been taken out. The "presenters" - Mr Brittan, Mr Heseltine, Mr Moseley and Mr Ennals - will sit at a small table. The audience will sit in a semi-circle.

2. You may wish at first to take a seat in the front row, facing the table. You may wish to have the Chancellor of the Duchy near you. Otherwise no seats are "reserved" other than for Mr Brittan (see below).

3. You will probably find it most convenient to stand to start the presentation (see below).

4. Mr Brittan will set the scene from the table and stay there for the DOE presentation. At its end, Mr Brittan will move to a reserved seat in the front row.

5. You may then wish to move forward to the table, which you would probably find more convenient than leading discussion from the front row. The central place at the table will be left vacant for you, unless you indicate otherwise. You may wish to keep Mr Heseltine and his officials at the table to field questions directed to them and join in discussion.

STARTING OFF (5.00 PM)

6. Given the amount of talking to follow from Mr Brittan and others, you may wish to say something fairly short, like this:

- "Welcome Ministers, their Permanent Secretaries and Examining Officers; look forward to their comments in discussion and at the reception to follow."

- "Suggested this presentation not because Michael Heseltine's approach is the only one possible, not by any means, but because I found it very interesting and encouraging. Thought my colleagues would too. Andit provides an opportunity for us to share experience and thinking."

- "Government can take some pride in the sustained effort it has put into good management. Well aware of what many Ministers are already doing on their own account. Would like to hear what they regard as the main lessons so far and as the way ahead. Therefore very pleased that this year's "efficiency strategy" will consist of over 20 good scrutinies, 6 Resource Control reviews, 6 Running Costs reviews and 7 Personnel Work reviews. A good score. Helps us make a reality of our pledge to strengthen management in Whitehall."

- "Leon Brittan will set the scene for us. Then Michael Heseltine, his Permanent Secretary (Mr Moseley) and his Establishment Officer (Mr Ennals) will describe how they control staff and running costs. Then we can ask questions and discuss what we have heard against the wider question of what changes we most want to achieve."

SETTING THE SCENE (c. 5.05 PM)

7. Mr Brittan will say that the two reviews contribute to the improvement of financial management in respect of (1) information on and techniques for cost control and (2) clarifying/strengthening accountability. He will foreshadow a Treasury initiative (ex-Rayner) to develop financial and accounting systems.

8. Mr Brittan will rest his remarks on the proposition that:

(1) The volume of money/resources at issue is big - up to £14bn including notional costs - but not under proper control.

(2) Helping Ministers/senior officials to know/control what is going on. (Note: This is a matter of determination as well as systems.)

(3) Pushing responsibility down the line.

9. Mr Brittan will probably end with remarks about the role of the Treasury and MPO in all this, ie a light hand on the reins of co-ordination, willingness to learn from what is happening in the real world - in sum, an "active but limited" role.

THE MAIN PRESENTATION (c. 5.15 PM)

10. It is still not entirely clear how the parts to be played by Mr Heseltine, Mr Moseley and Mr Ennals have been allotted. But I am reasonably confident that:

(1) The presentation will draw on the papers circulated beforehand (3 and 4 flagged), but will also project slides of the MINIS forms.

(2) The presentation will:

a. Set the scene: (Documents 1 and 2) — Scale of DOE(Central) and PSA in April 1979; Staff reductions since; MINIS; its contribution to staff savings; the new (post-Joubert) system for controlling non-staff costs.

b. Explain MINIS in more detail: (Documents 3 and 4) — use by Ministers and top management; example, the Construction Industries Directorate.

c. Explain the "cost centre" approach: — post Joubert control of non-staff costs; implementation; respective responsibilities of the Central and "spending departments" for standards.

DISCUSSION (c. 5.45 PM)

11. You may wish to move to the table to lead discussion, on which my advice is as follows:

(a) Handling

12. Your general aim is that the occasion should be an encouraging and stimulating one. You will want Ministers and their Departments to leave feeling that they are on the same side and pointing in the same direction. Several of those present are in "big" management and have large resource responsibilities; several of the Permanent Secretaries present take their management duties very seriously (notably Sir B Cubbon, Sir F Cooper and Sir K Barnes - indeed Cooper is a trail blazer in MOD management). So you will want to give such Ministers and Departments a chance to say what they are doing and restrain anyone who might assert (or allege) that there are panaceas.

13. You might open discussion by saying that

(1) there will no doubt be some questions, mainly to DOE;

(2) but that you would like to hear about other Ministers' experiences and especially their thinking about progress so far and the way ahead;

(3) although this is not a "decisions" meeting you will attempt to draw things together just before 6.30; so

(4) questions first, then general discussion.

(b) Themes which you may like to have in mind

14. This is not an occasion when you need an agenda or a strongly thematic hold over discussion. But you might like to have such points as these in mind and invite Ministers and others to comment in the light of their own thinking and experience:

(1) The Resource Control and Running Cost Reviews (and that to follow on Personnel Work) are meant to be practical contributions to a lasting reform of Whitehall management. (Deeds speak louder than sermons.) Do Ministers think that they are addressed to the right targets? If not, what do they see as the right targets?

Note: The recent letter to you from the Management Consultants Association, based on assignments in Government, correctly identified some of the basic problems. It counsels avoiding an excessive concentration on 'management tools' and ad hoc exercises at the expense of clarifying the responsibility and accountability of Civil Service managers (ie clear assignments and delegation, linking responsibility for resources with line management responsibility, clear criteria for acceptable performance of responsibility and accountability in planning, reporting and monitoring).

(2) Mr Heseltine has described one way of controlling costs. It's not the only possible way. What do other Ministers find works best for them?

(3) What use do Ministers make of the Annual Scrutiny of Departmental Running Costs? (See also below.)

(4) What is the most balanced way of securing co-operation between the Central and the "spending" departments in getting good management? (See also below.)

(5) Have we got the right people with the right skills in financial and resource management? Could Mr Nott and Sir F Cooper share some of their thinking on this with us?

Note: The right answer to this is 'NO'. Sir F Cooper is doing some good work on both financial management and managers, but in general you might look for an opportunity to say that we need a radical change in the training and deployment of financial managers: some work is in hand, but it needs a boost.

(c) Some undercurrents

15. You may wish to be on your guard for the following, most of which can probably be best turned aside by such a response as that suggested:

Possible complaint	Possible response
Don't tell us how to run our own show.	That's not what this afternoon is about. As a Government we're breaking a lot of new ground in trying to get better management. We are here to learn from each other's experience.

Possible complaint	Possible response
Fed up with Environment getting all the limelight. Some of us have bigger budgets and more complex operations. Most of us are doing our best in our own way. MINIS and Joubert are bureaucratic - lots of paper - and mechanistic.	- Yes, to bigger budgets and harder/more complex operations [eg Defence, Home Office, DHSS]. - No-one is saying that what suits Michael Heseltine is right for everyone. - What we must all do is look for the common denominators of good management. What do you [complainant] suggest?
Fed up with Scrutiny of Running Costs. Won't stand for spurious comparisons between different departments.	- Would like to hear Ministers' views on the Scrutiny. - Costs are still rising (+ 13% in 1981-82) so main need is ACTION. - Figures are important but we should not get bogged down in them. Officials will continue to refine and simplify the method.
Fed up with Treasury/MPO: what do they know about management? Won't stand for heavy-footed co-ordination.	- Centre is being reformed too: scrutiny of role of Expenditure Divisions in train. - But we all have a long way to go and it has to be a matter of centre-department collaboration. - My policy: Whitehall management will be good/effective only if it's strong and effective in DEPARTMENTS. So as in any

Possible complaint	Possible response
	organisation which is well managed, we need a combination of DELEGATION from the centre to departments and - in return - reasonable AUDITING of departmental arrangements. - Ministers need not fear heavy-handed co-ordination. It's not what I want. - But I do expect the Treasury and MPO to contribute, not least assignment staff many of whom - after all - come from departments.
Can't go on scrutinising/ reviewing for ever. And don't forget that we have to put effort into achieving the results of earlier reviews.	- Government has a good record so far. Very creditable that, on top of past effort, we have an "efficiency strategy" for this year. - But no well managed organisation can afford to rest on its oars. We have to go on with selective review work. Hence the choice this year and I don't doubt that we shall have a new strategy for 1983. - Recognise that there is still much to achieve and grateful for what is being done - an unprecedented effort.

Possible complaint	Possible response
What can we do when many of the prices are not under our control (electricity etc)?	- Don't use as much.

16. If technical questions are raised, and you think that a response is needed then and there, you might look to Mr Brittan and his officials (Sir A Rawlinson and Mr Wilding) for an answer.

(d) Chancellor of the Duchy; Sir Derek Rayner; Mr J S Cassels

17. This is an occasion for Ministers to have their say but you might like to ask Sir Derek Rayner towards the end whether he has any comments.

18. You might like to ask Mr Cassels to identify himself as co-ordinator of the reviews and to introduce Mr Beesley, Mr Gurney and Mrs Thoms as members of the central teams.

19. You might like to ask the Chancellor of the Duchy towards the end whether she would like to comment on the points emerging from discussion.

SUMMING UP

20. This is not an occasion for decisions and, unless we are very unlucky, no profound differences should have opened up. So you might say in summing up that your thoughts are chiefly ones of GRATITUDE and DETERMINATION:

- "Grateful to the presenters."

- "Grateful to my colleagues: (1) the scrutiny programme and the two Government-wide reviews cover some £1½bn worth of costs and upwards of 65,000 posts; (2) each Government-wide review consists of 6 sizeable projects in 11 Departments, including the Prison Service, RAF Support Command, the Meteorological Office. And you are coping with other things in train, like repayment for property services."

- "Ministers' responsibilities very different, of course. No one regime suits everyone. Co-ordination will not be heavy-handed."

- "But must search for the common denominators: What makes for good management in differing circumstances?:

  (1) Knowing the costs is not enough. That can simply mean watching with interest as they float upwards. Correct response is action, which means setting targets and seeing that they are achieved.

  (2) Ministers must not count the petty cash. But must be able to get answers to questions on the composition and movement of costs.

  (3) All Ministers rely on the Civil Service. Grateful for the effort put in by many departments to improve management. But determined that general standards should be raised.

  (4) This means defining what people in charge of resources are meant to achieve at what price; a sound balance between delegation and audit; and the progressive introduction of sound information.

(5) Recognise that people deep in departments may genuinely have little opportunity to affect the cost of their operations (eg local office managers, even though they can do their bit). Throws all the more responsibility on higher managers who, with the central departments, have greater chance of doing so."

C PRIESTLEY
23 February 1982

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

PRESENTATION ON 24 FEBRUARY 1982

Background material from the Department of the Environment

1. DOE(Central) fact sheet
2. PSA fact sheet
3. Construction Industries Directorate - MINIS reorganisation
4. Extracts from CID MINIS 3 forms

   (3 and 4 will be referred to in the presentation)

DOE(Central) FACT SHEET

A. Vote responsibilities (81/82)

	Net Provision £m
Housing	2,360
Local Environmental Services	38
Central Environmental Services (Water, etc)	85
Local Planning Services	38
Royal Parks, Palaces, Historic Buildings, etc	47
Central Administration and Environmental Research	151
Urban Programme Grants	90
Urban Development Corporations	70
Rate Support Grant	9,027
National Parks Supplementary Grants	4
Rate Rebates, etc	230
Total DOE(Central)	12,140

B. Departmental Running Costs (81/82)

	Estimated Gross Expenditure £m
Wages and Salaries	106.9
Accomodation	23.2
Personnel Overheads	6.3
Office Services	20.9
Other Services	8.1
Total DOE(Central)	165.4

C. Manpower

	1.4.79	1.1.82	% change
Non-industrials	9,591	8,155.5	-15
Industrials	2,002	1,541	-23
Total DOE(Central)	11,593	9,696.5	-16.4

PSA FACT SHEETS

A. Expenditure by client (81/82)

	£m		
Defence (including NATO)	700		
USAF (repayment)	70		
Home Civil	490		
Diplomatic overseas	30		
Other clients	190		
Total construction, maintenance and rent	1480		
Supplies (a)	200	(a)	including £13m staff and overheads cost
PSA costs (b)	190	(b)	excluding Directly Employed Labour costs and PSA accommodation costs which are included in construction, maintenance and rent costs
Consultants	50		
Total PSA - gross	1920		

B. Expenditure by type of work (81/82)

	£m
Part I (Projects over £100K)	450
Part II (Projects less than £100K)	110
Part III (Maintenance)	570
Rent and other purchases	350
Total construction, maintenance and rent	1480
Supplies	200
PSA Costs	190
Consultants	50
	1920

C. Labour Force

	1.4.79	1.1.82	% change
Non-Industrial - Prof & Technical	10982	9711	-12
- Exec/clerical support	7937	6518	-18
Total Non-Industrial	18919	16229	-14
Industrial	19900	14840	-25
Total PSA	38819	31069	-20

D. PSA Overheads Structure (80/81)

Operational costs (a)		84
Local overheads(b)		47
Central overheads		38
		169
Consultancy fees:		
Internal	4	
Private sector	39	43
		212

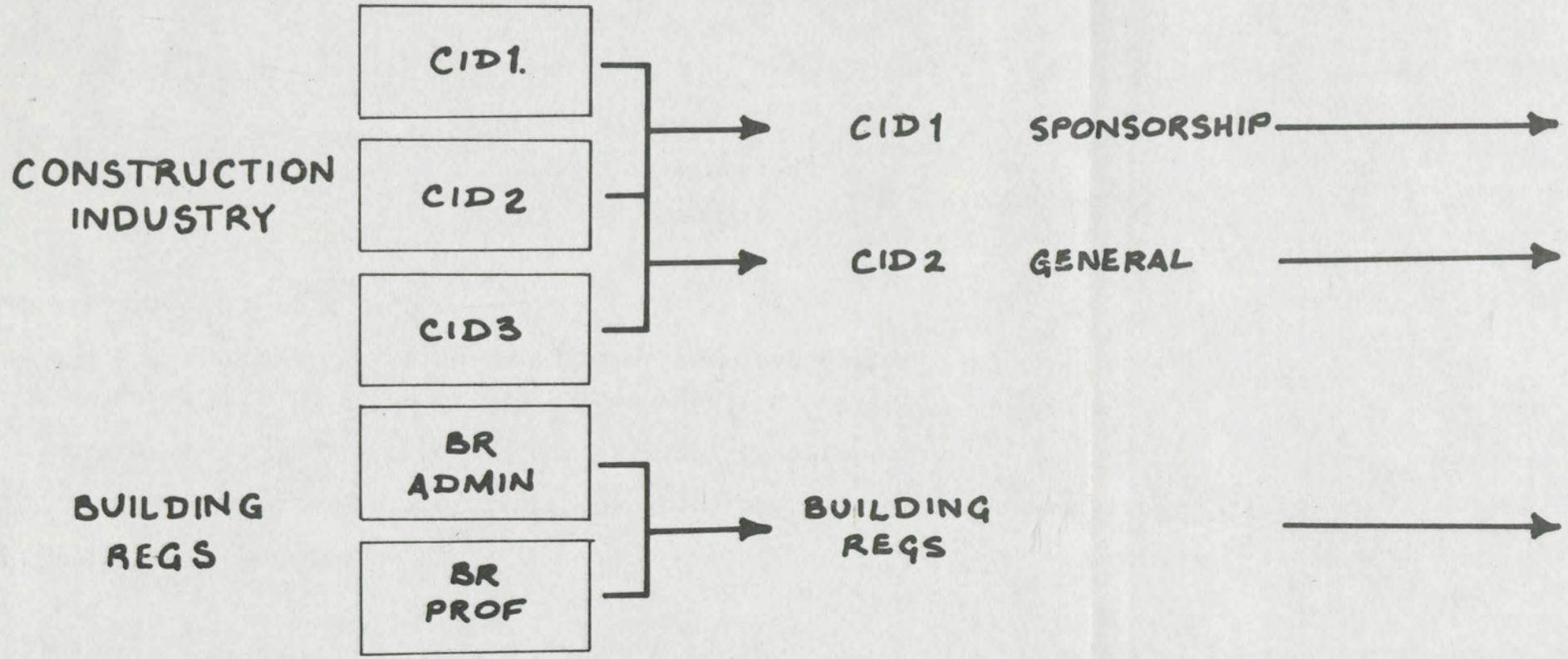
(a) Prof & tech staff, salaries & emp NI cont & imputed superannuation
(b) Local mgmnt and support staff accomm. at market rents, travel & subs. etc.

Conclusion

The ratio of operational costs : total costs is 84 : 169 ie 50% which is very close to typical private sector ratios

CONSTRUCTION INDUSTRIES DIRECTORATE: MINIS REORGANISATION

	MINIS 1 1.4.80.	MINIS 2 1.4.81.	MINIS 3 1.4.82.
NO. OF STAFF	85	73 (-14%)	66 (-22%)



3.

RESULTS OF MINIS

1. Five divisions reduced to three
2. Building Regulations - administrative and professional divisions combined
3. Organisation rationalised to reflect Ministerial priorities
4. Small research unit set up within Directorate (DOE research previously handled by a central Research Administration Directorate, now bedded out)
5. Staff numbers greatly reduced

DIRECTORATE CONSTRUCTION INDUSTRY

DIRECTOR D T ROUTH

LOCATION(S) 2 Marsham St LONDON SW1

Divisions; heads & grades

Mr D T Routh (Under Sec)

- Construction Division 1 (Performance) (CID1) — Mr A G Balls (Asst Sec)
- Construction Division 2 (General) (CID2) — Mr B Strong (Asst Sec)
- Building Regulations Division (CID(BR)) — Mr A G Watson (Asst Sec)
- Construction Research Unit (CIRU) — Mr I Macpherson (Dir B)

Main activities of divisions (with refs)

A Policy towards the construction industry

A.1 Dialogue with the construction industry
A.2 Performance of the construction industry
A.3 Construction exports
A.4 The construction industry professions
A.5 Sponsorship of the building materials industry

B. Building standards inc building control

B.5 Technical sponsorship
B.6 Energy conservation

C. Research and development

[The Unit's role is to co-ordinate the Divisions' research needs, and to monitor the Directorate's building and construction research programme.]

B Building standards inc. building control

B.1 Future of building control
B.2 Operation of the Building Regulations
B.3 Building Regulations: interpretation and advice
B.4 Building failures
B.7 Building control and standards: other functions

Divisions SIP, grades & numbers (1 4 82 projected)

	Construction Division 1	Construction Division 2	Construction Research Unit	Building Regulations Division	
	1 Asst Sec	1 Asst Sec	1 Dir B	1 Asst Sec	1 HEO(A)
	3 Prins	1 Supt Arch	1 PPTO	1 Sen Prin	3 HEOs
	2 HEOs	2 Prins	1 HEO	1 Supt Arch	5 EOs
	1 AT	1 PPTO	1 Pers Sec	1 Supt CE	4 COs
	1 EO	2 HEOs		4 Prins	1 CAs
	1 CO	2 EOs		7 PPTOs	4 Pers Secs
	1 CA	1 CA		4 PTO1s	
	1 Pers Sec	1 Pers Sec		1 SEO	
Totals	Director & staff 2	11	11	4	38

SIP 1 4 80	SIP 1 4 81	SIP (Jan '82)	Agreed allocation 1 4 82	Probable position 1 4 82	Guideline 1 4 83
85	78	71	66	66	62

1(2) MAIN ACTIVITIES/SUMMARY OF DIRECTORATE COSTS (OUTTURN)

A. PRINCIPAL AIMS/SUBJECT AREAS: AVERAGE SALARY COSTS	April-Sept 80 £k	April-Sept 81 £k
A. Policy towards the construction industry	Break-down Not Avail-able	85.0
B. Building standards, including building control		349.8
C. Construction research and development		50.2
a. Senior Official and immediate support		19.4
b. Unspecified activities		10.1
c. General administrative support		53.8
d. Support to other Directorates *(Form 4)*		–
TOTAL AVERAGE SALARY COSTS	566.5	568.3
B. TOTAL OTHER COSTS – see opposite	N/A	237.5
TOTAL DIRECTORATE COSTS *(excluding DTp)* (A+B)	N/A	805.8
C. SUPPORT FROM OTHER DIRECTORATES *(Form 5)*	N/A	–
D. STAFF EFFORT FOR DTp: AVERAGE SALARY COSTS	N/A	–

B. OTHER COSTS *(excluding DTp costs)*		April-Sept 80 £k	April-Sept 81 £k
OTHER STAFF COSTS:	Casual & Seasonal Staff	–	–
	Agency Staff	15.1	5.3
	Overtime	0.4	0.1
PERSONNEL OVERHEADS:	Travel & Subsistence	8.5	9.0
	Entertainment	–	0.1
	Training, Seminars etc.	–	–
ACCOMMODATION COSTS		N/A	176.0
OFFICE SERVICES COSTS:	Telecommunications	N/A	10.6
	Postage	N/A	8.1
	Office Machinery, Stationery & printing, Photocopying	N/A	22.5
	Library Services	–	–
	Administrative Computers	–	
OTHER SERVICES COSTS			
	Consultants' fees	14.0	5.8
TOTAL OTHER COSTS		N/A	237.5

E. VOTE/EXPENDITURE RESPONSIBILITIES	1980-81 £k	1981-82 £k
VIII.1.E.1. Financial assistance to the construction industry	118.2	100.0
VIII.1.E.2. Contribution towards construction industry studies	–	14.4
VIII.2.D.8. Agrement Board (grant in aid)	545.0	545.0
VIII.2.D.23. Contribution to RIBA	35.0	15.0
VIII.5.D.6(6). Building and construction research	n/a	616.0
VIII.9.C.2(3). Inter-firm comparisons study	–	11.5
ALSO Not in CID vote responsibilities: Research projects for which CID is main customer	n/a	6235.6

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83

A. ALLOCATION 1 4 82 66	B. PROBABLE SIP 1 4 82 66	C. GUIDELINE FOR 1 4 83 62	

CHANGES TO FUNCTIONS/LEVELS OF ACTIVITY (1) To remedy any overbearing on the 1 4 82 allocation *(ie B to A)* (2) To reach 1 4 83 guideline *(ie A to C)*		MANPOWER CONSEQUENCES			
REF		Grade(s)	Numbers *(see note opposite)*	Division/ Location	Timing
B.2.1	Continuing review of the requirements and effects of the Building Regulations and control arrangements	PPTO	$-\frac{1}{4}$	CID(BR)	Start run-down now; complete by mid-1982.
B.3.2	Responding to enquiries about the Regulations from the general public, professional institutions and local authorities	PPTO	$-\frac{1}{2}$	CID(BR)	Start run-down now; complete by mid-1982.
B.3.5	Advice to other Directorates and other Government Departments, including participation in interdepartmental committees, on matters connected with the Building Regulations	PPTO	$-\frac{1}{4}$	CID(BR)	Start run-down now; complete by mid-1982.
	Total C/F	(PPTO)	-1		

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83 *(Continued)*

NOTE: *Staff redeployed within the Directorate as a result of function changes (ie which do not contribute to overall savings) are shown in square brackets.*

COMMENTS

REF	
B.2.1	The proposed move away from detailed Regulations may help to reduce detailed involvement - but there are active lobbies in the industry and professional institutions whom we cannot ignore. We need to be ready to respond to any signs that the Regulations are becoming unnecessarily burdensome.
B.3.2	Reduce commitment to answering technical enquiries - deal with MPs, local authorities, trade associations, professional institutions only - refer all others to their local building control authority. Reduction in informal advice service may cause some increase in number of formal cases seeking statutory determinations or relaxations of the Regulations, or in numbers seeking advice via MPs, but net savings are possible, at some cost of goodwill with industry and design professions.
B.3.5	Reduce service to other Departments and Divisions. Restrict co-operation to matters of direct concern to Regulations. Some (slight) risk that other Divisions and Departments might fall out of step with the Regulations and each other (water byelaws, housing standards, school building codes, hospital standards etc). CID(BR)'s withdrawal might throw more weight on BRE as the Government's experts on construction - especially in the field of structural engineering, where CID(BR) is the only other source of advice within Government.

PROPOSED KEY OBJECTIVES FOR 1982/1983

1. To ensure that standards of safety in buildings are maintained, and to develop legislation for a new system of control which will be simpler in operation and will allow for more self-regulation by the construction industry.

2. To help improve the performance of the construction industry at home and abroad.

3. To provide a channel for communication between Ministers and the construction industry, and to advise on the impact of policies on that industry.

4. To sponsor DOE research into construction.

5. To advise on matters affecting the construction industry professions, on codes and standards in the construction industry and on matters affecting the building materials industry.

6. To co-ordinate DOE policy on energy conservation in buildings.

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83

A. ALLOCATION 1 4 82 66	B. PROBABLE SIP 1 4 82 66	C. GUIDELINE FOR 1 4 83 62	

CHANGES TO FUNCTIONS/LEVELS OF ACTIVITY (1) To remedy any overbearing on the 1 4 82 allocation *(ie B to A)* (2) To reach 1 4 83 guideline *(ie A to C)*		MANPOWER CONSEQUENCES			
REF		Grade(s)	Numbers *(see note opposite)*	Division/ Location	Timing
B.7.2	Participation in professional and industrial committees concerned with building.	PPTO	-2	CID(BR)	Start run-down now; complete by mid-1982.
	<u>Note</u> The above identifies 3 of the 4 savings required from CID. One more post will be found from CID1 through good housekeeping in the course of the year.				
	Total	(PPTO)	-3		

NOTE: *Staff redeployed within the Directorate as a result of function changes (ie which do not contribute to overall savings) are shown in square brackets.*

PROPOSED KEY OBJECTIVES FOR 1982/1983

REF	COMMENTS
B.7.2	Reduce involvement with the British Standards Institution (BSI) to essential committees only. The Departmental representatives on BSI committees are often the only counterbalance to the weight of manufacturers' interests, and must therefore stay on the main committees dealing with matters of direct concern to the Regulations (those whose Standards might need to be quoted in "deemed-to-satisfy" provisions). There is, however, scope for withdrawal from some committees, and for reducing overlap of representation (with BRE and PSA) on others - a saving of perhaps one PPTO post. The Secretary of State's drive for quality, and the proposal to give BSI the power to approve its own documents under the new building regulations system, will mean continuing substantial Departmental involvement. Withdraw from active participation in EC Commission's committees developing EUROCODES. This would save a further PPTO post, but at the cost of embarrassment in the EEC, and the risk later of having an unpalatable Directive forced on us. Mr Stanley has earlier considered this possibility and at the time rejected it. (Some of this work also done under item B.5.3).

DIRECTORATE'S

FUNCTIONS AND PERFORMANCE

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
A.4	The construction industry professions (UK)				
	Policy and advice on:				
A.4.1	- EC measures (particularly Architects' Directive (AD))	P(E)/2	0.7		Attempts to achieve an acceptable compromise for the AD continued in Brussels; discussions held with Commission officials and links maintained with profession.
A.4.2	- Monopolies Commission report on professional fees	P/3	0.5		Minister's views, taking into account those of the professions, made known during inter-departmental consultations.
A.4.3	- Formation of Engineering Council	P/2	0.5		Interdepartmental discussions held on formation of Council and its membership.
A.4.4	- Matters affecting professional bodies	P/2	1.4		Briefing provided as required on ad hoc issues. Other work routine, eg on amendment to charters of chartered bodies.
A.5	Sponsorship of the building materials industry (GB)				
A.5.1	Policy and advice on Government relations with the industry, including meetings of the Standing Consultative Committee on Building Materials	P/4	14.9		Continuing activity. Communications maintained: 13 visits to firms; 29 meetings with firms, trade associations, etc. SCC on Building Materials met on 7 April.
A.5.2	Industrial studies	AE/3	0.4		Participated in study of chalk supplies for cement industry in SE.
A.5.3	Provision of financial assistance under section 8 of Industry Act.	R/2	3.9	Class VIII.1 Subhead E.1 £100k	4 applications in hand on 1 April (all cleared by 30 June); 29 received during period; 22 decided.
	Total C/F		80.6		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
A.4		
A.4.1	Continue to work for a satisfactory solution for the AD, keeping Ministers and the profession in touch with developments. Maintain a watching brief on relevant Directives where other Departments are in the lead (eg Engineers' Directive).	Dependent on events in Brussels.
A.4.2	Advise Ministers on factors involved in decisions on this issue. **Ministerial announcement expected in December.**	As necessary.
A.4.3	First 18 Council members to be appointed (Dept of Industry in lead).	As necessary - possibly including second round of appointments to Council.
A.4.4	Respond to issues as they arise.	Respond to issues as they arise.
A.5		
A.5.1	Respond to and launch initiatives as appropriate. Further visits planned. Further meetings of SCC on Building Materials to maintain effective dialogue.	Respond to, and launch, initiatives as appropriate. Visits as necessary. Further meetings of SCC on Building Materials to maintain effective dialogue.
A.5.2	Continue to participate in study.	Report on study. Maintain liaison with industry as required.
A.5.3	Clear all outstanding cases by 31 December; clear all new cases within 13 weeks.	Clear all new cases within 13 weeks.

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
B.2.5	Liaison with other standard-setting bodies.	AE/2	4.9		Discussions with Agrement Board; consideration of documents produced by industry and trade associations.
B.3	Building Regulations: interpretation and advice (EW)				
B.3.1	Preparation of guidance documents.	AE/2	1.9		Task completed.
B.3.2	Responding to enquiries about the Regulations from the general public, professional institutions and local authorities.	AE/2	37.0		About 230 written enquiries (including 125 PSO's) and 4500 telephone enquiries on technical matters.
B.3.3	Casework: issue of determinations, dispensations, and relaxations; appeals against local authorities' refusals to relax.	Q/3(S)	75.3		Some 1300 cases dealt with; advice to Welsh Office on 50 cases.
B.3.4	Input to Private Bills and Local Government (Miscellaneous Provisions) Bill.	L/2	9.8		Consideration and assessment of 10 Private Bills and Local Government (Miscellaneous Provisions) Bill.
B.3.5	Advice to other Directorates and other Government Departments, including participation in interdepartmental committees, on matters connected with the Regulations.	AE/2	22.4		Advice to and liaison with other Directorates and Departments as called for.
	Total C/F		265.6		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
B.2.5	Commitment expected to continue at present tempo.	Continuing.
B.3		
B.3.1	Nil	Nil
B.3.2	Possible increase due to revision of fees scheme and Second Amendment.	Probably continuing at approximately the same level. Reduction in staff effort to be sought by referring some enquiries to local building control authorities.
B.3.3	Further delegation to local authorities from 1 December 1981 should almost eliminate work on relaxations; possibly a tendency for the number of appeals to increase at least in the short term.	Continuing activity at December 1981 - March 1982 levels. In the long term some reduction in staff effort may be achieved from delegation to local authorities at the end of 1981.
B.3.4	Work continuing on 7 Private Bills and Local Government (Miscellaneous Provisions) Bill.	As need arises.
B.3.5	Continuing as need arises.	Continuing as need arises. Reduction in staff effort on this item to be sought.

3(1) DIRECTORATE FUNCTIONS AND PERFORMANCE (APR-SEPT 81)

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
C.	Research and Development				
C.1	Participation in annual review of construction research programme, in line with new arrangements approved by Ministers; co-ordination of Directorate input (GB)	RD/3	26.1		Preparation of draft submission to Ministers for approval of research programme for 1982/83 (submission scheduled for late October) incorporating advice obtained from committees below (see item C.6).
C.2	Monitoring individual studies placed with or through BRE where Directorate is the main customer (EW)	RD/2	3.4		Currently main customer for about 60 research items containing about 250 individual projects and costing about £6m/year. Identification of these projects and their targets for incorporation into submission for 1982/83.
C.3	Management of research projects placed directly (EW)	RD/2	1.7	Class VIII.5 Subhead D6(6) £616K	Programme Officer for five projects.
C.4	Assessment of results of research for publication (EW)	RD/2	2.4		About 45 draft research papers assessed; about 15 executive summaries assessed and submitted to Minister for final approval.
C.5	Sponsorship of Construction Industry Research Associations (CIRIA, BSRIA, TRADA) (UK)				
	(a) Assessment and approval of RA proposals for DOE support funding	RD/3	5.6		RAs' proposals also being submitted to Minister for approval; proposals for work to be funded in 1982/83 submitted to EDC for advice (see item C.6).
	(b) Representation of DOE interests in RA business and monitoring of DOE-funded work	RD/2			Attended RA council and committee meetings as necessary.
	(c) Implementing new procedures for DOE sponsorship of RAs via contract rather than grant support	RD/3			Scrutiny of invoices for work carried out in accordance with contract, for onward transmission to PECD Division.
	Total C/F		39.2		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
C.		
C.1	Complete submission on 1982/83 programme for consideration by Ministers late October. Begin preparation of submission for 1983/84 programme in January.	Submit 1983/84 programme to Ministers for consideration and approval (October 1982). Begin preparation of 1984/85 programme (programme subject to annual review).
C.2	Initiate procedures for monitoring progress of agreed 1981/82 programme (October - December). Use information from monitoring to inform brief for Advisory Committees and policy divisions in preparing submission for 1983/84 programme (from January).	Monitor progress and use information in preparing 1983/84 programme and commencing to prepare 1984/85 programme.
C.3	Continuing.	Submission for 1982/83 contains about six projects to be placed directly.
C.4	Continuing; expected to be at a similar level to previous period.	Continuing.
C.5		
	(a) Incorporation of proposals for 1982/83 in submission to Ministers on construction research programme.	(a) Monitoring of projects in 1982/83 agreed programme. Collection of proposals for 1983/84 for submission to external advisory bodies and ultimately Ministers.
	(b) Attend RA council and committee meetings as necessary.	(b) Attend RA council and committee meetings as necessary.
	(c) Continued monitoring of sponsorship contract.	(c) Continued monitoring of sponsorship contract.

BACKGROUND NOTES

Programme of Resource Control Reviews

Purpose

Each resource control review will examine the use and control of all resources in a major block of executive operations or organisational unit. The aim is not only to identify specific changes which improve efficiency, including cost reductions, but also to point to an improved management regime for the operations - generally through clarifying and strengthening the authority and accountability of individual managers (eg Governors of prisons, district works officers of PSA, RAF station commanders). By adopting a broadly consistent approach to reviews, it is hoped that lessons can be learned which will be of help both in the effective conduct of the reviews themselves and for setting the right general framework within which individual managers down the line have clear authority to manage and have an incentive to do so. I attach a copy of the central study plan for the resource control review programme.

Reviews in 1982

There will be at least six reviews in 1982 as follows :

Subject of Review	Review Team	Timetable
a) Prison Service in England and Wales and the separate Service in Scotland	Joint Home Office/ Scottish Office team, led by a Home Office Assistant Secretary. MPO Principal participating	Study plan being prepared. Fieldwork for first stage due to start in March. Stages 1 and 2 will last until October. Consideration then to see whether further stages required.
b) District Works Offices of the Public Services Agency	PSA study team led by an Assistant Secretary with professional support. MPO assignment Principal participating.	Study plan in preparation and fieldwork due to begin next month. Should be completed by about July/August.
c) All aspects of support for the RAF. This includes virtually all RAF activities short of actual flight operations, eg it includes aircraft	RAF study team led by an Air Marshal with support from two Wing Commanders and an Administrative Principal. No MPO	Already well under way and the report is to be made by July Consideration to be given to extension

	servicing and maintenance; procurement and storage of supplies and spare parts; training as well as the more traditional support activites - transport, accounts, personnel, secretarial and so on.	assignment Officer will be on the Team but extensive use of MPO assignment resources will be made.	if field not covered properly by then.
d)	The whole of the Met. Office, study team led by an MOD Principal (this is Mr Miles, who was the MOD team leader on the R & D support services review).		Due to start soon but timetable not yet fixed.
e)	Coastguard service, Department of Trade	Team will be led by a Principal in the Department of Trade. An MPO assignment Principal will participate.	Will start at the end of April and should be completed by the Autumn.
f)	The Royal Mint (a separate trading fund reporting directly to Treasury Ministers)	A Principal from the Royal Mint will lead their study team, considering whether we can offer some accountancy support.	Timetable yet to be fixed but start should be made by Easter.

Central Team

The central team consists of Mr Gurney, FP1 and Mr Ian Beesley, Rayner Unit. It is hoped to associate someone on loan from Coopers and Lybrand.

Further Reviews

It is hoped that there will be at least one further review in Ministry of Defence, and it is possible that others may begin towards the end of the year. The intention is that the resource control review programme should roll forward into 1983 when further discrete operational activities should be examined.

RUNNING COSTS REVIEW

Background

1. Running costs across government are very big business (about £14 billion a year), but scrutinies have shown that managers at all levels rarely have the systems and incentives they need to control them effectively.

2. Cost awareness and cost control come about when managers know what costs they are responsible for, know what they amount to, and are allowed and encouraged to influence them.

Scope and Aims of the Review

3. Six departments are taking part:

- Foreign and Commonwealth Office
- Department of Energy
- Department of Employment
- Department of Education and Science
- Department of Trade
- Management and Personnel Office

Draft terms of reference are attached.

4. The departmental teams have been appointed and start work next month. They are expected to produce their reports by the end of August and the central team will draft a final report to go to the Prime Minister and the Chancellor of the Duchy in the Autumn. The central team will include Mrs Elizabeth Thoms from the Rayner Unit, a management consultant on secondment to MPO and a member from a department (probably MOD). AFA Division will be closely associated with the team.

Approach

5. The review has its origins in the Joubert report conducted in DOE but the teams will be discouraged from taking this as a model. The approach will be bottom up rather than top down. Financial information must support whatever management statistics staff need to do their jobs so the teams must start by looking in detail at what their departments do, where costs arise, and which costs matter. They will be encouraged to conduct "mini scrutinies" to provide solid evidence of what happens when financial control is lacking.

6. The teams will also be expected to bear in mind that the best can be the enemy of the good. It is better to have reliable and relevant information which is actually used (even if some costs slip, for a while, through the net) than pages of sophisticated, computerised data which cover everything at the expense of concealing what matters.

LIST OF THOSE ATTENDING

(1) THE CENTRAL DEPARTMENTS

Treasury: The Chief Secretary, who will set the scene
The Minister of State (Commons)(Mr Hayhoe), whom you had recently asked to take a particular interest on your behalf in the Annual Scrutiny of Departmental Running Costs and to designate a senior official to lead for him.

Sir A. Rawlinson; Mr R W L Wilding; Mr R Bunce (member of the central team for the Running Costs Review).

MPO: The Chancellor of the Duchy of Lancaster*

Sir R. Armstrong, Joint Head of the Civil Service; Mr J S Cassels.≠

* Responsible to you for the "efficiency strategy". Also a participant in the Review of Running Costs (for which Miss Buchan is her Examining Officer).

≠ Responsible for co-ordinating the Reviews of Executive Operations, Running Costs and Personnel Work (not represented on this occasion). Assisted by Mr Gurney (MPO) and two of the Rayner Unit, Mr Beesley and Mrs Thoms.

(2) THE PRESENTERS

Speakers: The Secretary of State for the Environment

Mr G W Moseley, Permanent Secretary, and
Mr K F J Ennals, Principal Establishment Officer.
You have heard all three before.

Supporters: There is a large troupe of these: two Second Permanent Secretaries, Mr P J Harrop and Mr A M Alfred,* the new (ex-private sector) boss of the PSA; Mr Heseltine's private secretary, Mr Edmonds; a Principal Finance Officer, Mr G H Chipperfield and Mr D T Routh, formerly Regional Director, East and West Midlands, now in HQ, both of whom contributed to the November presentation; Mr C J P Joubert,≠ Economic Adviser, author of last year's scrutiny report on "cost centres"; Mrs M McDonald and Miss S Booth, implementing Joubert recommendations.

* You may like to be warned that Mr Alfred is talkative.

≠ Joins Rayner unit in succession to Mr Allen on 15 March.

(3) THOSE TAKING PART IN THE REVIEW OF EXECUTIVE OPERATIONS (RESOURCE CONTROL REVIEWS)

Prison Service: Home Secretary, Sir B Cubbon, Mr M Butler (Examining Officer)

Minister for Home Affairs and the Environment, Scotland (Mr Rifkind), Mr A L Rennie, Secretary, Scottish Home and Health Department.

RAF Support Command, Meteorological Office: Defence Secretary, Sir F Cooper, Air Marshal Sir A Davies (Examining Officer, Support Command), Dr J Miles (Examining Officer, Met Office).

Coastguards Service:	SS/Trade; Mr Eyre, MP, Parliamentary Secretary: Mr M D M Franklin, Permanent Secretary; Mr MacKenny and Mr Blundall (Examining Officers)
Royal Mint:	Deputy Master (Dr J Gerhard)*
	* The Mint is included to show what might be learnt from the example of a Trading Fund. The Mint has been achieving very good trading results.
District Works Service, PSA	Mr A M Alfred, Chief Executive, see above.

(4) THOSE TAKING PART IN THE REVIEW OF RUNNING COSTS

FCO:	Sir M Palliser, Mr A F Green (Examining Officer) (All FCO Ministers are engaged.)
DES:	SS/Education and Science; Sir J Hamilton; Miss A M J Benham (Examining Officer)
Dept. of Trade	Mr Biffen and others (as above).
MPO:	Lady Young and others (as above).
Dept. of Employment:	Mr M Alison, MP, Minister of State; Sir K Barnes; and Mr S Cook, (Examining Officer).
Dept. of Energy:	SS/Energy; Sir D Maitland; Dr J M Bird (Examining Officer).

£14 billion → This year

70% - wages & salaries

Told wrong above rate of inflation

Spending by hire. - Manpower
Strikes.

Manager - does not know cost of his activity.

What each department plans to do.

11,700 by 29% by 84.
↓
8,272.

Reductions. Now 16.4%.
[£17m]

Michael Brown - Product.

W. W.

Centralised basis

Centrally →

Pay
Transport
Buildings

Xmas.

→ Invest
Spend

2 pp

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

Chancellor of the Duchy of Lancaster

22 February 1982

The Rt Hon Leon Brittan, QC, MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1P 3AG

Dear Leon,

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I read with interest your minute of 1 February to the Prime Minister about the 1981 scrutiny of departmental running costs, and the way this work might be carried forward. Your minute brought out the close relationship between this exercise and some of the main elements of the efficiency strategy for 1982. But there is another aspect of the work of the Management and Personnel Office which struck me as relevant, particularly in view of the need which the Prime Minister has underscored to reduce costs as well as keep track of them.

I have in mind the programme of reviews by MPO and departments of the cost-effectiveness of common activities such as stores, transport, typing and messengerial services, telecommunications and so on. Together, these activities make up as much as 15% of the total running costs of departments. The studies in the programme so far suggest cost reductions in the range of 30% to 40% for messengerial services and stores, and 10% to 20% in typing, telecommunications and transport. It has been possible to cover only limited areas so far and we must now try to spread best practice across the board as quickly as possible. MPO officials are therefore preparing guidance on the management of these activities, firmly based on the results of completed MPO/departmental studies. Discussions with departments about guidance of this kind will begin soon in order to ensure that real and widespread improvements flow from it.

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

Yours ever

Janet

BARONESS YOUNG

From: THE PRIVATE SECRETARY

LN 8/3

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

22 February 1982

Dear Terry

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The Home Secretary was grateful for a copy of the Chief Secretary's minute to the Prime Minister of 1 February.

However, he continues to have doubts about comparing provisional outturn for one year with the budget estimate provision for the following year as a starting point for identifying and securing reductions in administrative and running costs. He therefore welcomes the Chief Secretary's undertaking to consider whether the scrutiny can be made more useful, and will be interested to see what progress can be made with the development of key ratios and performance indicators.

The commentary sent with the Home Secretary's letter of 16 September to Mr Hayhoe sets out the principal considerations affecting the Home Office in the 1981 scrutiny, but there is one further point to which we wish to draw attention, in case anyone seeks to draw conclusions from the comparison of departmental running costs in Annex C to the Chief Secretary's minute. The figures for the Home Office are greatly distorted by the increase in accommodation costs attributed to the department by the PSA. It has always been recognised that the figures for 1981-82 for accommodation costs could not be compared with earlier years because they have been prepared on a different basis. For the Home Office they show an increase of 55% against an average for Departments of 14.7%. Discounting accommodation costs, the difference in gross running costs for the Home Office between 1980-81 and 1981-82 is 13.3% rather than 20.7%.

I am copying this letter to the Private Secretaries to the Prime Minister, the Secretary of State for the Environment and Sir Derek Rayner.

Yours sincerely

Colin Walters

C J WALTERS

T F Mathews, Esq.

Wh 22/2

CABINET OFFICE

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

19 February 1982

Terry Mathews Esq
Private Secretary to the
Chief Secretary to the Treasury

Dear Terry,

PRESENTATION ON STAFF AND NON-STAFF RUNNING COSTS, 24 FEBRUARY

I have already sent you a copy of a letter from Mavis McDonald of DOE(Central) on the probable shape on content of her Secretary of State's contribution next Wednesday and have spoken to your assistant about the seating arrangements. You may find it helpful to have the enclosed note which confirms the lay-out of seating as the arrangements stand at the moment. If Mr Brittan is unhappy with what is in mind, please let me know by 6 00 pm on Monday.

2. Willie Rickett will probably circulate today the papers sent over by Mavis McDonald. I would let you have yours now, but DOE are probably going to alter one page.

3. This letter and the enclosure are copied to Willie Rickett, Jim Buckley and Eleanor Goodison (MPO) and Richard Wilding (HM Treasury).

Yours sincerely,

Clive Priestley

C PRIESTLEY

Enc: As indicated

PRESENTATION ON STAFF AND NON-STAFF RUNNING COSTS, 24 FEBRUARY 1982

Note on certain arrangements

1. The presentation will be held in the Large Dining Room. The dining table will be removed. The "presenters" - the Chief Secretary, the Secretary of State for the Environment and his lead officials - will sit at a small table. The audience will sit in a semi-circle, with the Prime Minister in the front row.

2. The Prime Minister will probably stand to start the presentation. The Chief Secretary will set the scene from the table and remain there for the main presentation by DOE. Mrs McDonald (DOE, 212 8219) is responsible for setting the logistical arrangements with No. 10.

3. At the end of the presentation, the Chief Secretary will move to a seat in the front row, which will be marked by a card bearing his title. The Prime Minister will move forward to the table, which will be more convenient than trying to lead discussion from the front row; the central place at the table should be left vacant for her. The Secretary of State for the Environment and his lead officials will stay at the table to field questions directed to them.

4. The expectation is that Ministers attending will sit in the front row, but no seats (other than the Prime Minister's and Mr Brittan's) are allocated.

5. Ministers known to be attending are Mr Whitelaw, Sir Keith Joseph, Mr Nott, Mr Biffen, Lady Young, Mr Lawson, Mr Alison and Mr Rifkind.

File

cc: CDL
FCO
HMT (x4)
MoD
DES
DOE
SO
DTI
DoT
D/N
MPO (x2)
CO (x2)

LPO

10 DOWNING STREET

From the Private Secretary

19 February 1982

Dear John

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I wrote to you on 29 January about the presentation to be held here at 1700 next Wednesday, 24 February.

The Secretary of State for the Environment believes that his colleagues and their officials attending the presentation and taking part in discussion might find it helpful to have beforehand the enclosed documents, to some of which (3 and 4) reference will be made during the course of the presentation. They are:

1 and 2. Fact sheets on DOE (Central) and the Property Services Agency

3. A summary of the re-organisation of the Construction Industries Directorate consequent on the use of the MINIS system

4. Extracts (yellow pages) from the MINIS documentation on the Construction Industries Directorate

I am sending copies of this letter to Brian Fall (Foreign and Commonwealth Office), John Kerr, Terry Mathews, Adrian Carter and Jeremy Colman (H.M. Treasury), David Omand (Ministry of Defence), Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), John Rhodes (Department of Trade), Julian West (Department of Energy), Jim Buckley and Eleanor Goodison (Management & Personnel Office) and David Wright and Clive Priestley (Cabinet Office).

Yours ever

Willie Rickett

J. F. Halliday, Esq.,
Home Office.

DSh

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

PRESENTATION ON 24 FEBRUARY 1982

Background material from the Department of the Environment

1. DOE(Central) fact sheet
2. PSA fact sheet
3. Construction Industries Directorate - MINIS reorganisation
4. Extracts from CID MINIS 3 forms

   (3 and 4 will be referred to in the presentation)

DOE(Central) FACT SHEET

A. Vote responsibilities (81/82)

	Net Provision £m
Housing	2,360
Local Environmental Services	38
Central Environmental Services (Water, etc)	85
Local Planning Services	38
Royal Parks, Palaces, Historic Buildings, etc	47
Central Administration and Environmental Research	151
Urban Programme Grants	90
Urban Development Corporations	70
Rate Support Grant	9,027
National Parks Supplementary Grants	4
Rate Rebates, etc	230
Total DOE(Central)	12,140

B. Departmental Running Costs (81/82)

	Estimated Gross Expenditure £m
Wages and Salaries	106.9
Accomodation	23.2
Personnel Overheads	6.3
Office Services	20.9
Other Services	8.1
Total DOE(Central)	165.4

C. Manpower

	1.4.79	1.1.82	% change
Non-industrials	9,591	8,155.5	-15
Industrials	2,002	1,541	-23
Total DOE(Central)	11,593	9,696.5	-16.4

PSA FACT SHEETS

A. Expenditure by client (81/82)

	£m		
Defence (including NATO)	700		
USAF (repayment)	70		
Home Civil	490		
Diplomatic overseas	30		
Other clients	190		
Total construction, maintenance and rent	1480		
Supplies (a)	200	(a)	including £13m staff and overheads cost
PSA costs (b)	190	(b)	excluding Directly Employed Labour costs and PSA accommodation costs which are included in construction, maintenance and rent costs
Consultants	50		
Total PSA - gross	1920		

B. Expenditure by type of work (81/82)

	£m
Part I (Projects over £100K)	450
Part II (Projects less than £100K)	110
Part III (Maintenance)	570
Rent and other purchases	350
Total construction, maintenance and rent	1480
Supplies	200
PSA Costs	190
Consultants	50
	1920

C. Labour Force

	1.4.79	1.1.82	% change
Non-Industrial - Prof & Technical	10982	9711	-12
- Exec/clerical support	7937	6518	-18
Total Non-Industrial	18919	16229	-14
Industrial	19900	14840	-25
Total PSA	38819	31069	-20

D. PSA Overheads Structure (80/81)

Operational costs (a)		84
Local overheads(b)		47
Central overheads		38
		169
Consultancy fees:		
Internal	4	
Private sector	39	43
		212

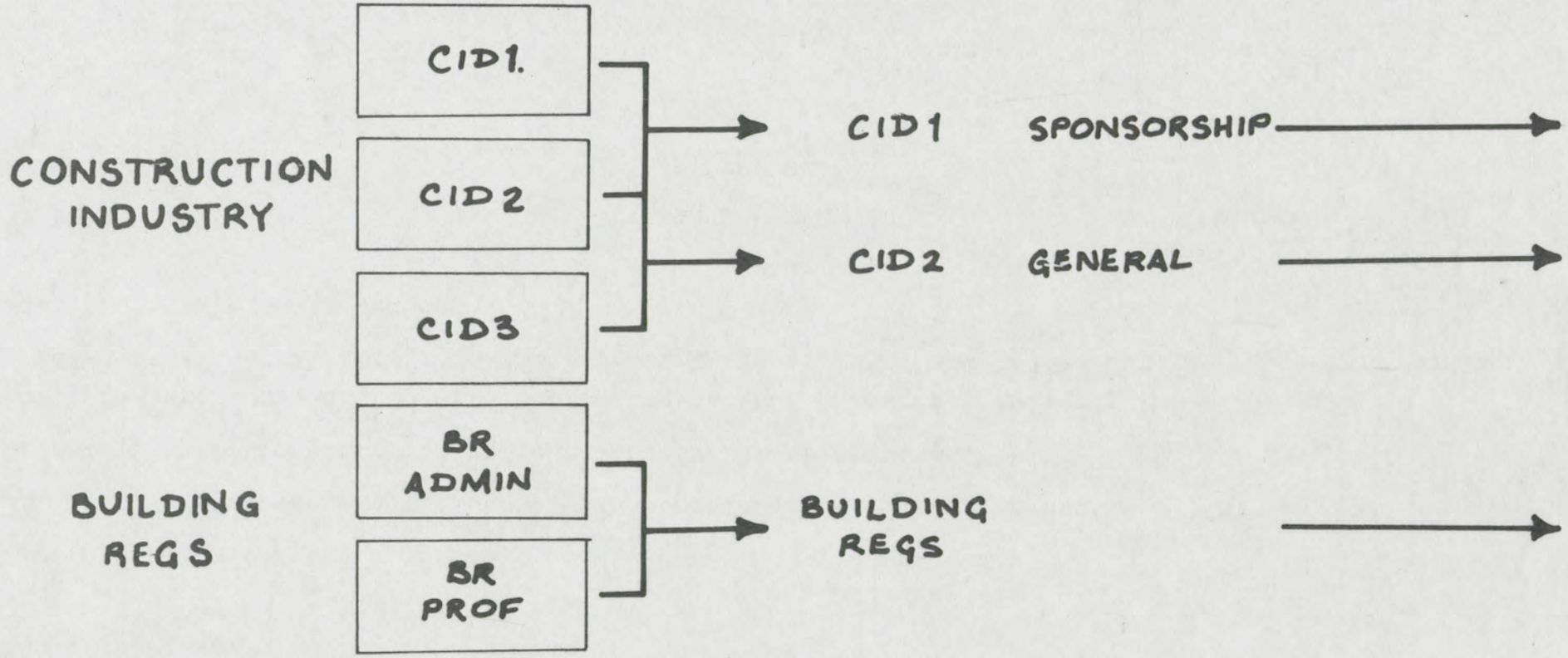
(a) Prof & tech staff, salaries & emp NI cont & imputed superannuation
(b) Local mgmnt and support staff accomm. at market rents, travel & subs. etc.

Conclusion

The ratio of operational costs : total costs is 84 : 169 ie 50% which is very close to typical private sector ratios

CONSTRUCTION INDUSTRIES DIRECTORATE: MINIS REORGANISATION

	MINIS 1 1.4.80.	MINIS 2 1.4.81.	MINIS 3 1.4.82.
NO. OF STAFF	85	73 (-14%)	66 (-22%)



RESULTS OF MINIS

1. Five divisions reduced to three
2. Building Regulations - administrative and professional divisions combined
3. Organisation rationalised to reflect Ministerial priorities
4. Small research unit set up within Directorate (DOE research previously handled by a central Research Administration Directorate, now bedded out)
5. Staff numbers greatly reduced

DIRECTORATE CONSTRUCTION INDUSTRY

DIRECTOR D T ROUTH

LOCATION(S) 2 Marsham St LONDON SW1

Divisions; heads & grades	Mr D T Routh (Under Sec)			
	Construction Division 1 (Performance) (CID1) Mr A G Balls (Asst Sec)	Construction Division 2 (General) (CID2) Mr B Strong (Asst Sec)		Building Regulations Division (CID(BR)) Mr A G Watson (Asst Sec)
Main activities of divisions (with refs)	← Construction Research Unit (CIRU) →			
	A Policy towards the construction industry A.1 Dialogue with the construction industry A.2 Performance of the construction industry A.3 Construction exports	A.4 The construction industry professions A.5 Sponsorship of the building materials industry B. Building standards inc building control B.5 Technical sponsorship B.6 Energy conservation	Mr I Macpherson (Dir B) C. Research and development [The Unit's role is to co-ordinate the Divisions' research needs, and to monitor the Directorate's building and construction research programme.]	B Building standards inc. building control B.1 Future of building control B.2 Operation of the Building Regulations B.3 Building Regulations: interpretation and advice B.4 Building failures B.7 Building control and standards: other functions
Divisions SIP, grades & numbers (1 4 82 projected)	1 Asst Sec 3 Prins 2 HEOs 1 AT 1 EO 1 CO 1 CA 1 Pers Sec	1 Asst Sec 1 Supt Arch 2 Prins 1 PPTO 2 HEOs 2 EOs 1 CA 1 Pers Sec	1 Dir B 1 PPTO 1 HEO 1 Pers Sec	1 Asst Sec 1 Sen Prin 1 Supt Arch 1 Supt CE 4 Prins 7 PPTOs 4 PTO1s 1 SEO 1 HEO(A) 3 HEOs 5 EOs 4 COs 1 CAs 4 Pers Secs
Totals	Director & staff 2	11	11	4	38

SIP 1 4 80 85	SIP 1 4 81 78	SIP (Jan '82) 71	Agreed allocation 1 4 82 66	Probable position 1 4 82 66	Guideline 1 4 83 62

1(2) MAIN ACTIVITIES/SUMMARY OF DIRECTORATE COSTS (OUTTURN)

A. PRINCIPAL AIMS/SUBJECT AREAS: AVERAGE SALARY COSTS	April-Sept 80 £k	April-Sept 81 £k
A. Policy towards the construction industry	Breakdown Not Available	85.0
B. Building standards, including building control		349.8
C. Construction research and development		50.2
a. Senior Official and immediate support		19.4
b. Unspecified activities		10.1
c. General administrative support		53.8
d. Support to other Directorates *(Form 4)*		–
TOTAL AVERAGE SALARY COSTS	566.5	568.3
B. TOTAL OTHER COSTS – see opposite	N/A	237.5
TOTAL DIRECTORATE COSTS *(excluding DTp)* (A+B)	N/A	805.8
C. SUPPORT FROM OTHER DIRECTORATES *(Form 5)*	N/A	–
D. STAFF EFFORT FOR DTp: AVERAGE SALARY COSTS	N/A	–

B. OTHER COSTS *(excluding DTp costs)*		April-Sept 80 £k	April-Sept 81 £k
OTHER STAFF COSTS:	Casual & Seasonal Staff	–	–
	Agency Staff	15.1	5.3
	Overtime	0.4	0.1
PERSONNEL OVERHEADS:	Travel & Subsistence	8.5	9.0
	Entertainment	–	0.1
	Training, Seminars etc.	–	–
ACCOMMODATION COSTS		N/A	176.0
OFFICE SERVICES COSTS:	Telecommunications	N/A	10.6
	Postage	N/A	8.1
	Office Machinery, Stationery & printing, Photocopying	N/A	22.5
	Library Services	–	–
	Administrative Computers	–	
OTHER SERVICES COSTS			
	Consultants' fees	14.0	5.8
TOTAL OTHER COSTS		N/A	237.5

E. VOTE/EXPENDITURE RESPONSIBILITIES	1980-81 £k	1981-82 £k
VIII.1.E.1. Financial assistance to the construction industry	118.2	100.0
VIII.1.E.2. Contribution towards construction industry studies	–	14.4
VIII.2.D.8. Agrement Board (grant in aid)	545.0	545.0
VIII.2.D.23. Contribution to RIBA	35.0	15.0
VIII.5.D.6(6). Building and construction research	n/a	616.0
VIII.9.C.2(3). Inter-firm comparisons study	–	11.5
ALSO Not in CID vote responsibilities: Research projects for which CID is main customer	n/a	6235.6

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83

A. ALLOCATION 1 4 82 66	B. PROBABLE SIP 1 4 82 66	C. GUIDELINE FOR 1 4 83 62	

CHANGES TO FUNCTIONS/LEVELS OF ACTIVITY (1) To remedy any overbearing on the 1 4 82 allocation *(ie B to A)* (2) To reach 1 4 83 guideline *(ie A to C)*		MANPOWER CONSEQUENCES			
REF		Grade(s)	Numbers *(see note opposite)*	Division/ Location	Timing
B.2.1	Continuing review of the requirements and effects of the Building Regulations and control arrangements	PPTO	$-\frac{1}{4}$	CID(BR)	Start run-down now; complete by mid-1982.
B.3.2	Responding to enquiries about the Regulations from the general public, professional institutions and local authorities	PPTO	$-\frac{1}{2}$	CID(BR)	Start run-down now; complete by mid-1982.
B.3.5	Advice to other Directorates and other Government Departments, including participation in interdepartmental committees, on matters connected with the Building Regulations	PPTO	$-\frac{1}{4}$	CID(BR)	Start run-down now; complete by mid-1982.
	Total C/F	(PPTO)	-1		

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83 *(Continued)*

NOTE: *Staff redeployed within the Directorate as a result of function changes (ie which do not contribute to overall savings) are shown in square brackets.*

COMMENTS

REF	
B.2.1	The proposed move away from detailed Regulations may help to reduce detailed involvement - but there are active lobbies in the industry and professional institutions whom we cannot ignore. We need to be ready to respond to any signs that the Regulations are becoming unnecessarily burdensome.
B.3.2	Reduce commitment to answering technical enquiries - deal with MPs, local authorities, trade associations, professional institutions only - refer all others to their local building control authority. Reduction in informal advice service may cause some increase in number of formal cases seeking statutory determinations or relaxations of the Regulations, or in numbers seeking advice via MPs, but net savings are possible, at some cost of goodwill with industry and design professions.
B.3.5	Reduce service to other Departments and Divisions. Restrict co-operation to matters of direct concern to Regulations. Some (slight) risk that other Divisions and Departments might fall out of step with the Regulations and each other (water byelaws, housing standards, school building codes, hospital standards etc). CID(BR)'s withdrawal might throw more weight on BRE as the Government's experts on construction - especially in the field of structural engineering, where CID(BR) is the only other source of advice within Government.

PROPOSED KEY OBJECTIVES FOR 1982/1983

1. To ensure that standards of safety in buildings are maintained, and to develop legislation for a new system of control which will be simpler in operation and will allow for more self-regulation by the construction industry.

2. To help improve the performance of the construction industry at home and abroad.

3. To provide a channel for communication between Ministers and the construction industry, and to advise on the impact of policies on that industry.

4. To sponsor DOE research into construction.

5. To advise on matters affecting the construction industry professions, on codes and standards in the construction industry and on matters affecting the building materials industry.

6. To co-ordinate DOE policy on energy conservation in buildings.

2 PROPOSED MANPOWER BUDGET AND KEY OBJECTIVES 1982/83

A. ALLOCATION 1 4 82 66	B. PROBABLE SIP 1 4 82 66	C. GUIDELINE FOR 1 4 83 62	

CHANGES TO FUNCTIONS/LEVELS OF ACTIVITY (1) To remedy any overbearing on the 1 4 82 allocation *(ie B to A)* (2) To reach 1 4 83 guideline *(ie A to C)*		MANPOWER CONSEQUENCES			
REF		Grade(s)	Numbers *(see note opposite)*	Division/ Location	Timing
B.7.2	Participation in professional and industrial committees concerned with building.	PPTO	-2	CID(BR)	Start run-down now; complete by mid-1982.
	<u>Note</u> The above identifies 3 of the 4 savings required from CID. One more post will be found from CID1 through good housekeeping in the course of the year.				
	Total	(PPTO)	-3		

NOTE: *Staff redeployed within the Directorate as a result of function changes (ie which do not contribute to overall savings) are shown in square brackets.*

PROPOSED KEY OBJECTIVES FOR 1982/1983

REF	COMMENTS
B.7.2	Reduce involvement with the British Standards Institution (BSI) to essential committees only. The Departmental representatives on BSI committees are often the only counterbalance to the weight of manufacturers' interests, and must therefore stay on the main committees dealing with matters of direct concern to the Regulations (those whose Standards might need to be quoted in "deemed-to-satisfy" provisions). There is, however, scope for withdrawal from some committees, and for reducing overlap of representation (with BRE and PSA) on others - a saving of perhaps one PPTO post. The Secretary of State's drive for quality, and the proposal to give BSI the power to approve its own documents under the new building regulations system, will mean continuing substantial Departmental involvement. Withdraw from active participation in EC Commission's committees developing EUROCODES. This would save a further PPTO post, but at the cost of embarrassment in the EEC, and the risk later of having an unpalatable Directive forced on us. Mr Stanley has earlier considered this possibility and at the time rejected it. (Some of this work also done under item B.5.3).

DIRECTORATE'S

FUNCTIONS AND PERFORMANCE

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
A.4	The construction industry professions (UK)				
	Policy and advice on:				
A.4.1	- EC measures (particularly Architects' Directive (AD))	P(E)/2	0.7		Attempts to achieve an acceptable compromise for the AD continued in Brussels; discussions held with Commission officials and links maintained with profession.
A.4.2	- Monopolies Commission report on professional fees	P/3	0.5		Minister's views, taking into account those of the professions, made known during inter-departmental consultations.
A.4.3	- Formation of Engineering Council	P/2	0.5		Interdepartmental discussions held on formation of Council and its membership.
A.4.4	- Matters affecting professional bodies	P/2	1.4		Briefing provided as required on ad hoc issues. Other work routine, eg on amendment to charters of chartered bodies.
A.5	Sponsorship of the building materials industry (GB)				
A.5.1	Policy and advice on Government relations with the industry, including meetings of the Standing Consultative Committee on Building Materials	P/4	14.9		Continuing activity. Communications maintained: 13 visits to firms; 29 meetings with firms, trade associations, etc. SCC on Building Materials met on 7 April.
A.5.2	Industrial studies	AE/3	0.4		Participated in study of chalk supplies for cement industry in SE.
A.5.3	Provision of financial assistance under section 8 of Industry Act.	R/2	3.9	Class VIII.1 Subhead E.1 £100k	4 applications in hand on 1 April (all cleared by 30 June); 29 received during period; 22 decided.
	Total C/F		80.6		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
A.4		
A.4.1	Continue to work for a satisfactory solution for the AD, keeping Ministers and the profession in touch with developments. Maintain a watching brief on relevant Directives where other Departments are in the lead (eg Engineers' Directive).	Dependent on events in Brussels.
A.4.2	Advise Ministers on factors involved in decisions on this issue. **Ministerial announcement expected in December.**	As necessary.
A.4.3	First 18 Council members to be appointed (Dept of Industry in lead).	As necessary - possibly including second round of appointments to Council.
A.4.4	Respond to issues as they arise.	Respond to issues as they arise.
A.5		
A.5.1	Respond to and launch initiatives as appropriate. Further visits planned. Further meetings of SCC on Building Materials to maintain effective dialogue.	Respond to, and launch, initiatives as appropriate. Visits as necessary. Further meetings of SCC on Building Materials to maintain effective dialogue.
A.5.2	Continue to participate in study.	Report on study. Maintain liaison with industry as required.
A.5.3	Clear all outstanding cases by 31 December; clear all new cases within 13 weeks.	Clear all new cases within 13 weeks.

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
B.2.5	Liaison with other standard-setting bodies.	AE/2	4.9		Discussions with Agrement Board; consideration of documents produced by industry and trade associations.
B.3	Building Regulations: interpretation and advice (EW)				
B.3.1	Preparation of guidance documents.	AE/2	1.9		Task completed.
B.3.2	Responding to enquiries about the Regulations from the general public, professional institutions and local authorities.	AE/2	37.0		About 230 written enquiries (including 125 PSO's) and 4500 telephone enquiries on technical matters.
B.3.3	Casework: issue of determinations, dispensations, and relaxations; appeals against local authorities' refusals to relax.	Q/3(S)	75.3		Some 1300 cases dealt with; advice to Welsh Office on 50 cases.
B.3.4	Input to Private Bills and Local Government (Miscellaneous Provisions) Bill.	L/2	9.8		Consideration and assessment of 10 Private Bills and Local Government (Miscellaneous Provisions) Bill.
B.3.5	Advice to other Directorates and other Government Departments, including participation in interdepartmental committees, on matters connected with the Regulations.	AE/2	22.4		Advice to and liaison with other Directorates and Departments as called for.
	Total C/F		265.6		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
B.2.5	Commitment expected to continue at present tempo.	Continuing.
B.3		
B.3.1	Nil	Nil
B.3.2	Possible increase due to revision of fees scheme and Second Amendment.	Probably continuing at approximately the same level. Reduction in staff effort to be sought by referring some enquiries to local building control authorities.
B.3.3	Further delegation to local authorities from 1 December 1981 should almost eliminate work on relaxations; possibly a tendency for the number of appeals to increase at least in the short term.	Continuing activity at December 1981 - March 1982 levels. In the long term some reduction in staff effort may be achieved from delegation to local authorities at the end of 1981.
B.3.4	Work continuing on 7 Private Bills and Local Government (Miscellaneous Provisions) Bill.	As need arises.
B.3.5	Continuing as need arises.	Continuing as need arises. Reduction in staff effort on this item to be sought.

1 Ref	2 Apr-Sept 81: Functions/Tasks	3 Code/ Rating	4 Apr-Sept Costs £k	5 1981/82 Vote/Expenditure Responsibilities £k	6 Apr-Sept 81: Performance Assessment
C.	Research and Development				
C.1	Participation in annual review of construction research programme, in line with new arrangements approved by Ministers; co-ordination of Directorate input (GB)	RD/3	26.1		Preparation of draft submission to Ministers for approval of research programme for 1982/83 (submission scheduled for late October) incorporating advice obtained from committees below (see item C.6).
C.2	Monitoring individual studies placed with or through BRE where Directorate is the main customer (EW)	RD/2	3.4		Currently main customer for about 60 research items containing about 250 individual projects and costing about £6m/year. Identification of these projects and their targets for incorporation into submission for 1982/83.
C.3	Management of research projects placed directly (EW)	RD/2	1.7	Class VIII.5 Subhead D6(6) £616k	Programme Officer for five projects.
C.4	Assessment of results of research for publication (EW)	RD/2	2.4		About 45 draft research papers assessed; about 15 executive summaries assessed and submitted to Minister for final approval.
C.5	Sponsorship of Construction Industry Research Associations (CIRIA, BSRIA, TRADA) (UK)				
	(a) Assessment and approval of RA proposals for DOE support funding	RD/3	5.6		RAs' proposals also being submitted to Minister for approval; proposals for work to be funded in 1982/83 submitted to EDC for advice (see item C.6).
	(b) Representation of DOE interests in RA business and monitoring of DOE-funded work	RD/2			Attended RA council and committee meetings as necessary.
	(c) Implementing new procedures for DOE sponsorship of RAs via contract rather than grant support	RD/3			Scrutiny of invoices for work carried out in accordance with contract, for onward transmission to PECD Division.
	Total C/F		39.2		

7 Ref	8 Oct 81 - Mar 82: Planned Performance (and proposed new Functions/Tasks)	9 Apr 82 - Mar 83: Planned Performance (and proposed new Functions/Tasks)
C.		
C.1	Complete submission on 1982/83 programme for consideration by Ministers late October. Begin preparation of submission for 1983/84 programme in January.	Submit 1983/84 programme to Ministers for consideration and approval (October 1982). Begin preparation of 1984/85 programme (programme subject to annual review).
C.2	Initiate procedures for monitoring progress of agreed 1981/82 programme (October - December). Use information from monitoring to inform brief for Advisory Committees and policy divisions in preparing submission for 1983/84 programme (from January).	Monitor progress and use information in preparing 1983/84 programme and commencing to prepare 1984/85 programme.
C.3	Continuing.	Submission for 1982/83 contains about six projects to be placed directly.
C.4	Continuing; expected to be at a similar level to previous period.	Continuing.
C.5		
	(a) Incorporation of proposals for 1982/83 in submission to Ministers on construction research programme.	(a) Monitoring of projects in 1982/83 agreed programme. Collection of proposals for 1983/84 for submission to external advisory bodies and ultimately Ministers.
	(b) Attend RA council and committee meetings as necessary.	(b) Attend RA council and committee meetings as necessary.
	(c) Continued monitoring of sponsorship contract.	(c) Continued monitoring of sponsorship contract.

Mr Ryne

I have sufficient copies of the enclosures and a list showing how many should go to each department.

WR 19/2

Mr RICKETT

PRESENTATION ON STAFF & NON-STAFF COSTS, 24 FEBRUARY

I attach a copy letter from Mrs McDonald, which is self-explanatory; a bundle of documents for circulation (I have kept two sets for us); and a draft letter for you to send to the private secretaries of the Ministers involved.

2 I will leave you to deal with the DOE end of the arrangements for Wednesday as suggested by Mrs McDonald, but I will aim to come through myself about 30 minutes before the presentation starts. On the DOE party - which I think excessive - you were going to have a word with Mr Edmonds.

3 I shall prepare a brief for the Prime Minister as already agreed. Perhaps you will kindly let me have today the following:

(1) The time by when the brief should be in your hands. I have told him need you on 23/2 WR 19/2

(2) An example of an earlier brief for me to follow. I have spoken to Clive about this. WR 19/2

(3) A list of those attending. I have sent this to Clive WR 19/2

4 I intend to have a word with the Chief Secretary's private secretary to make sure that Mr Brittan understands the logistics - where he sits, how long for etc.

CP

C Priestley
19 February 1982

ENCS; As indicated

DRAFT OF 19 FEBRUARY 1982

J F Halliday Esq
Home Office

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I write to you on ~~I refer to my letter of~~ 29 January about ~~on~~ the presentation to be held here at 5.00 pm next Wednesday, 24 February.

The Secretary of State for the Environment believes that his colleagues and their officials attending the presentation and taking part in discussion might find it helpful to have beforehand the enclosed documents, to some of which (3 and 4) reference will be made during the course of the presentation. They are:

1 and 2 — Fact sheets on DOE(Central) and the Property Services Agency

3 — A summary of the re-organisation of the Construction Industries Directorate consequent on the use of the MINIS system

4 — Extracts (yellow pages) from the MINIS documentation on the Construction Industries Directorate

~~Sufficient copies are enclosed for each Department~~.

~~It would be helpful if those attending the presentation could arrive in good time to enable the presentation to start promptly at 5.00 pm~~.

I am sending copies of this letter to Brian Fall (FCO), John Kerr, Terry Mathews, Adrian Carter and Jeremy Colman (HM Treasury), David Omand (MOD), Imogen Wilde (DES), David Edmonds (DOE), Muir Russell (Scottish Office), Barnaby Shaw (DE), John

Rhodes (Department of Trade), Julian West (DEn), Jim Buckley and Eleanor Goodison (MPO) and David Wright and Clive Priestley (Cabinet Office).

W F S Rickett

cc Mr. Mathews } MPS
Mr. Wilding }
Mr. Caudle } MPO
Mr. Russell }

Department of the Environment
Room N.8/08
2 Marsham Street London SW1P 3EB
Direct line 01-212 8219
Switchboard 01-212 3434

Clive Priestley
Cabinet Office
Whitehall
London SW1

18 February 1982

Dear Clive,

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS: PRESENTATION ON 24 FEBRUARY

1. I enclose 50 copies of the material for advance circulation as we agreed.

2. I also explained to you that the Secretary of State has not yet decided who will speak with him or on the final form of the presentation. However, there will be no more than five speakers at most, including the Secretary of State, and there may be only three. I will let you have the details as soon as I can.

3. The present draft of the text falls into three parts. Firstly, a broad introduction which sets the scene by describing the scale of the Department (both DOE(C) and the PSA) when the Secretary of State came into office in May 1979; what has been achieved in terms of staff reductions; the introduction and use of the MINIS system; what the system has contributed, inter alia, in the achievement of staff savings so far; leading into the reasons for the adoption of the new system of control of non-staff costs. This part will almost certainly be covered by the Secretary of State.

4. The second part will provide more detailed discussion of the MINIS system including its use by senior management, as well as Ministers, and a look at its application to one illustrative Directorate - Construction Industries. Use will be made here of the material circulated beforehand but we shall also have slides of the MINIS forms.

5. The final part will cover what we expect to achieve from the introduction of the cost centre approach to the control of non-staff costs, how it is to be implemented and the questions it raises on the respective responsibilities of central departments and functional departments for standards.

6. I must repeat that we have not yet got the final approval of the Secretary of State to this format. I will let you know as soon as I can whether there are to be any substantial changes.

7. In the meantime you might like to know who will be included in the full DOE party:-

Secretary of State	
Mr G W Moseley	Permanent Secretary
Mr P J Harrop	Second Permanent Secretary
Mr A M Alfred	Chief Executive, Property Services Agency
Mr K F J Ennals	Director General, Organisation and Establishments
Mr G H Chipperfield	Director, Central Policy and Resources
Mr D T Routh	Director, Construction Industries
Mrs M McDonald	Head of Central Policy Planning Unit. Responsible for MINIS.
Ms S Booth	Public Expenditure Co-ordinating Division. Responsible for the implementation of the cost centre system of control of non-staff costs.
Mr. C. Joubert	Scrutiny Officer Rayner Report on Non Staff Running Costs

8. Sally and I will need to come over to No 10 on the 24th about an hour or so beforehand to set up the projector and screen but we can make arrangements directly with Willie Ricketts for this. We will also provide name plates for the table and bring them with us.

Yours

Mavis

MRS M McDONALD

Civil Service Staff Costs

CONFIDENTIAL

Mr RICKETT

cc Sue Goodchild

PRESENTATION ON STAFF AND NON-STAFF COSTS, 24 FEBRUARY

I hope to let you have in the next day or so a draft letter to send to the private secretaries of Ministers attending the presentation, outlining the programme and circulating a few papers which Mr Heseltine would like his colleagues to have beforehand and to which he will refer during the presentation. I would have done so before now, but we are still hung up awaiting Mr Heseltine's decision on how to construct his part of the presentation.

2. So the main purpose of this minute is to consult you on points concerning the shape and logistics of the presentation.

Shape

3. It is already established that the opening and main presentation will be as follows:

(1) Very brief opening remarks/welcome by the Prime Minister.

(2) Scene-setting by the Chief Secretary (5 minutes): the volume of expenditure at issue, the underlying management issues and (briefly) the role of the Treasury and MPO.

(3) Presentation by Mr Heseltine, assisted probably by Mr G W Moseley (Permanent Secretary) and Mr K F J Ennals (PEO): MINIS, Joubert ("cost-centre" approach to the control of running costs) and the control of staff numbers. About 30 minutes.

(4) General discussion: we shall arm the Prime Minister with some points for this. About 40 minutes.

(5) Conclusion and rounding-off. About 5-10 minutes.

4. MPO private office have raised the question of the part to be played by the CDL, Lady Young. My advise, privately, was that the CDL should not seek a part of any formality, but should be content to contribute to discussion, although Mr Cassels - as the co-ordinator of the two Government-wide reviews represented at the meeting - might be called upon to sum up and say where things stood. But the private office have now been instructed to raise the question whether the CDL should be invited beforehand to bring things together at the end and also "provide an MPO point of view".

5. I need not labour over ground with which you are already familiar. Suffice it to say that I believe that to announce beforehand a programme of "lectures" by the Chief Secretary, the SS/Environment and the CDL would tend to inflame the sensitivities of the senior and "big management" Ministers invited to attend, including the Home, Foreign and Defence Secretaries among others. My advice would therefore be as follows:

(1) The PM should briefly sum up herself at the end of the presentation. If she agrees, we will cover this in the brief.

(2) So that the CDL and MPO have more than a walk-on part, the CDL should be invited beforehand to offer her observations during discussion. In case the PM agrees, I attach a draft letter to Mr Buckley.

Logistics

6. Perhaps we could have a word about some points which have arisen, as follows:

(1) Seating arrangements

We have already agreed that there is a broad semi-circle of chairs facing a table, occupied

by Mr Heseltine and his team (para. 3(3) above). May we now settle these points, please?

a. Front row seating order: I assume that the PM will sit in the centre. The CDL wants to sit next to her. Is this right or should we go for and indicate (perhaps by a seating plan on display or circulated beforehand) that seating is by order of Cabinet precedence, ie to some degree reproducing Cabinet table order?

b. Chief Secretary: Mr Brittan should sit somewhere near the middle of the front row so that he can step forward a pace or two to deliver his scene-setting pitch.

c. Officials: Probably simplest to let officials seat themselves at will rather than (for example) to seat the Home Secretary's Permanent Secretary and examing officer immediately behind him in the second and third rows?

(2) Seating arrangements for discussion

Once Mr Heseltine and his group have finished, the focus will shift to and scatter among the audience, especially if the PM remains where she began in the middle of the front row. Would it therefore be sensible for the DOE group to relinquish the table to the PM so that she moves to it and leads discussion from it? If so, should she be alone or flanked by a couple of grandees (including Mr Whitelaw) or by Mr Brittan and Lady Young?

Other points

7. I should be grateful if you would let me have a list of those taking part as indicated by responses to your letter of 29 January to Mr Halliday (Home Office).

8. Unless you indicate otherwise, Mr Beesley, Mrs Thoms and I will attend from here with Sir Derek Rayner (my minute of 5 February refers).

9. I believe that the PM may have received the long threatened letter from the Management Consultants' Association and that its content may be relevant to the presentation. May I have a copy, please? And if you want advice, I shall be glad to supply it.

CP

C PRIESTLEY
16 February 1982

Enc: Draft letter to Mr Buckley

DRAFT OF 16 FEBRUARY 1982

J Buckley Esq
Private Secretary to the
Chancellor of the Duchy of Lancaster

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I refer to my letter of 29 January to John Halliday (Home Office) about the presentation here on 24 February.

It is probable that the Chief Secretary will deal briefly with the role of the central departments in the course of his scene-setting comments. The Prime Minister does not want to overdo the role of the centre on this occasion, as it will be important to devote a good part of the available time to discussion, but she would be grateful if the Chancellor of the Duchy of Lancaster would be prepared to say a few words during discussion about the help available from the MPO and the Treasury and about the way in which it will co-ordinate the reviews of self-contained executive operations ("Resource Control") and of Running Costs.

I am copying this to David Edmonds (DOE), Terry Mathews (Treasury), David Wright and Clive Priestley (Cabinet Office).

W F S RICKETT

cc C Prestley

LIST OF GUESTS ATTENDING THE PRESENTATION ON COST CONTROL ON WEDNESDAY, 24 FEBRUARY 1982 AT 1700 HOURS FOLLOWED BY DRINKS

Home Office	
Rt. Hon. William Whitelaw, MP	
Sir Brian Cubbon	
Mr. Michael Butler	Examining Officer
FCO	
Sir Michael Palliser	
Mr. A.F. Green	Examining Officer
M/Defence	
Rt. Hon. John Nott, MP	
Sir Frank Cooper	
Air Marshal Sir Alan Davies	Head of Resource Control Team
Dr. John Miles	" " " "
D/Education and Science	
Rt. Hon. Sir Keith Joseph, MP	
Sir James Hamilton	
Miss A.M.J. Benham	
Scottish Office	
Mr. Malcolm Rifkind, MP	
Mr. A.L. Rennie	Secretary, Scottish Home and Health Department
Department of Employment	
Rt. Hon. Michael Alison, MP	
Sir Kenneth Barnes	
Mr. Steven Cook	Examining Officer
Department of Trade	
Rt. Hon. John Biffen, MP	
Mr. Reginald Eyre, MP	
Mr. Michael Franklin	
Mr. Julian Mackenny	Examining Officer
Mr. Blundell	" "

Department of Energy

Hon. Nigel Lawson, MP

Sir Donald Maitland

Dr. J.M. Bird

MPO

Rt. Hon. Baroness Young

Sir Robert Armstrong

Mr. J.S. Cassels

Mr. N.B.J. Gurney — Member of central team for resource control review

Miss J.M.E. Buchan — Examining Officer

Sir Derek Rayner

Mr. Clive Priestley

Mr. I.B. Beesley — Member of central team for resource control review

Mrs. E. Thoms

Treasury

Rt. Hon. Leon Brittan, MP

Sir Anthony Rawlinson

Mr. R.W.L. Wilding

Mr. Barney Hayhoe, MP

Dr. Gerhard - Deputy Master of the Royal Mint

Department of the Environment

Rt. Hon. Michael Heseltine, MP

Mr. G.W. Moseley

Mr. P.J. Harrop

Mr. David Edmonds

Mr. Joubert

Mr. Alfred

Mr. Ennals

Mr. Chipperfield

Mr. Routh

Mrs. McDonald

Miss Booth

Dr Gerhard Pagel Mint

PRIME MINISTER

PRESENTATION ON STAFF AND NON-STAFF RUNNING COSTS: 24 FEBRUARY

There are one or two logistical questions about this presentation that need to be resolved.

There will be between 50 and 55 guests. They will sit in the large dining room, in a semi-circle, with their backs to the window. They will face a table at which Mr. Heseltine and his team will sit.

You will open the presentation with a very brief introduction. The Chief Secretary will then speak for about five minutes. This will be followed by Mr. Heseltine's presentation, which will last about half-an-hour. You will then chair about forty minutes' discussion, which will end with a ten minute round up. The scene will then shift to the reception in the Pillared Room.

The first question is where you should sit. I think you should start by sitting with the guests in the front row. You will have to give the introduction standing up, but I think it is important that you should sit with your senior Ministers while Mr. Heseltine is making his presentation. We need to be slightly careful that Ministers do not get the impression that you and Mr. Heseltine are lecturing them on how to run their Departments.

I suggest that there should be one spare chair at Mr. Heseltine's table. Leon Brittan can make his introduction from this, and sit there during the presentation. When Mr. Heseltine has finished, you and the Chief Secretary can change places, so that you can chair the discussion from the top table.

/ The second

The second question is whether Lady Young should have a formal role in the presentation. I think there are some dangers in overdoing the formal role of the central Departments. So I suggest that at the end of the general discussion, you should ask Lady Young to say a few words from an MPO point of view and to say what lessons she feels should be drawn from the discussion. We would not announce formally before-hand that the Chancellor of the Duchy would be speaking.

I think this would be overdoing it.

The third question is whether we should insist on the presence of an FCO Minister. Lord Carrington will be leaving London that afternoon, and both Mr. Hurd and Mr. Marten will be overseas. Mr. Blaker has no direct responsibility for running the FCO. Rather than insist that he should attend, I think we should leave Sir Michael Palliser to speak for the FCO.

?

Content to proceed as I have suggested?

Yes

WM

Mr. Blaker is MOD.

17 February 1982

JFF37

WM 16/2

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

Secretary of State for Industry

15 February 1982

The Rt Hon Leon Brittan QC, MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3HE

Dear Leon,

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I was interested to see the analysis of the 1981 Scrutiny of Departmental Running Costs circulated with your minute of 1 February to the Prime Minister.

2. As you acknowledge, our present approach is deficient in a number of ways and I was glad therefore to see that you propose to ask officials to consider the form that the 1982 Scrutiny might take. I hope that my officials can be fully associated with this work and that it will cover the various suggestions for improvement that I made in my letter of 6 January to Barney Hayhoe - in particular those about the form and content and not least the timing of the exercise.

3. I await with interest the report by officials on the possibility of devising key ratios and performance indicators. As I said in my letter to Barney Hayhoe, interdepartmental comparisons are immensely difficult, and if the whole process is not to be discredited we must be very careful not to put more weight on the concept than it will bear.

4. You suggest that for the 1981 Scrutiny we should publish a summary paper on the lines of that for 1980 included in the Annex to Cmnd 8293. I can see the reasons that led you to suggest this but I am not sure that we should give a public airing to figures whose basis of calculation, reliability and comparability are so questionable. If a summary is published it would certainly seem desirable to accompany it with adequate explanatory and qualifying notes. But perhaps we should include this issue in the work you are commissioning from officials.

5. I am copying this letter to the Prime Minister, John Biffen (whose Department shares Common Services with mine), Sir Robert Armstrong and Sir Derek Rayner.

Yours ever

Patrick

✓ Sue Goodchild

Foreign and Commonwealth Office

London SW1A 2AH

15 February 1982

Dear Willie,

Control of Departmental Running Costs

You copied to me your letter to John Halliday of 29 January about the presentation and reception on 24 February. The Foreign Secretary will unfortunately be on his way to Africa at the time in question, and Mr Hurd will be in the Middle East.

When we discussed the question on the telephone, you thought that the Prime Minister would be content for the FCO to be unrepresented at Ministerial level, rather than represented by a Minister with no direct involvement in the issues under discussion. The Permanent Under-Secretary would welcome an invitation, as would Mr A F Green, the FCO's examining officer for the Review of Running Costs.

Yours ever,

Francis Richards

(F N Richards)
Private Secretary

W Rickett Esq
10 Downing Street

file ~~a~~ Goodchild

Civil Service

WR 15/2

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

Willie Rickett Esq
Private Secretary to
the Prime Minister
10 Downing Street
London SW1

12 February 1982

Dear Mr Rickett

The Secretary of State for Energy, the Permanent Under Secretary and Mr John Bird will be attending The Prime Minister's presentation on Resource Controls on Wednesday 24 February.

Yours sincerely

C G OLDFIELD

C G OLDFIELD
Private Secretary

Note for file

Trade Private Office say that they spoke to Willie and told him that the following would be attending:

Secretary of State — John Biffen

PUSS — Reginald Eyre

Permanent Sec — Sir Michael Franklin

examining officers. { Mr. Julian Mackenny
Mr. Blundell.

Steve Gary

12/2/82 DUTY CLERK.

cc SG.

Management and Personnel Office
Whitehall London SW1A 2AZ
Telephone 01-273 4400
GTN 273

Chancellor of the Duchy of Lancaster

12 February 1982

Willie Rickett Esq
Private Secretary
10 Downing Street

Dear Willie

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

Your letter of 29 January about the presentation on 24 February for those taking part in the reviews of resource control and running costs asked for the names of those who will be attending. I am responding on behalf of MPO as a whole; David Wright and Eleanor Goodison will not be writing separately.

Representatives of MPO will be attending both as members of the central team for the reviews and as representatives of a department participating in the review of running costs, so we will need to send more people than most departments. The names are:

The Rt Hon Baroness Young

Sir Robert Armstrong

Mr J S Cassels

Mr N B J Gurney (member of central team for resource control review)

Miss J M E Buchan (examining officer for review of running costs in MPO)

We should like also to have present a consultant from Coopers and Lybrand who will be on the central team. I am afraid I do not yet have a name and it is possible that he will not have joined us by the time of the presentation, but it would certainly be useful to have him there if he has.

Copies of this letter go to David Wright and Eleanor Goodison.

Yours sincerely

Douglas Board

D R H BOARD
Assistant Private Secretary

cc SS

Cr Sec

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

W Rickett Esq
Private Secretary
No 10 Downing Street
LONDON SW1

12 February 1982

Dear Willie,

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

You copied to Muir Russell your letter of 29 January about the presentation on the 24th of this month.

Mr Malcolm Rifkind will wish to attend as the Minister responsible for the Scottish part of the joint prisons resource control review, as will Mr A L Rennie, Secretary of the Scottish Home and Health Department who, for the purposes of this exercise is the 'Permanent Secretary' responsible. Given that the joint review will cover Great Britain, the official representative of the review team will be its Home Office leader.

Yours sincerely

John Wilson.

JOHN S WILSON
Private Secretary

SW

cc SG

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213 6400 GTN 213
Switchboard 01-213 3000

W Rickett Esq
10 Downing Street
LONDON SW1

12 February 1982

Dear Willie

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

My Secretary of State is unable to attend the presentation that will be given at 10 Downing Street on 24 February. He will be represented by Michael Alison (Minister of State), Sir Kenneth Barnes (Permanent Secretary) and Steven Cook (Examining Officer for the Running Costs Review).

Yours

Barnaby Shaw

J B SHAW
Principal Private
Secretary

cc SS
Civ Serv

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

10th February 1982

Dear Willie,

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

In your letter of 29th January you asked to know the names of those who would be attending the Efficiency Strategy Presentation on 24th February. We are proposing that Defence should be represented by my Secretary of State and his Permanent Secretary, Sir Frank Cooper, and the heads of our two resource control review teams, Air Marshal Sir Alan Davies and Dr John Miles.

Yours ever
David

(D B OMAND)

W Rickett Esq

Prime Minister

The Chief Secretary's minute is at Flag A. Of its annexes, I suggest you need to read only the one at Flag B.

Are you content that I should write to Departments, and to the Treasury and MPO, as drafted by Sir Derek at C?

WM 5/2

PRIME MINISTER

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I have seen the report on the 1981 scrutiny of running costs which the Chief Secretary submitted to you on 1 February.

2. The exercise is only two years old and inevitably there are still problems of mechanics and coverage. Even so, this year's report is much better than the last. The crucial point is that technicalities should not be allowed to obstruct action: the precision of the figures is much less important than getting the costs down and a great deal remains to be done, as is shown by the summary in Annex E, which I reproduce below.

Cost Element	1980/81 Prov O'turn £m	1981/82 Estimates £m	Difference £m	Difference %
Wages and Salaries	8756.3	9716.5	+ 960.2	+ 11.0
Personnel Overheads	635.1	740.0	+ 104.9	+ 16.5
Accommodation Costs	1790.2	2052.7	+ 262.5	+ 14.7
Office Services	543.5	674.9	+ 131.4	+ 24.2
Other Services	559.2	719.7	+ 160.5	+ 28.7
	12284.3	13903.8	1619.5	+ 13.2

3. Provided the review of the format proposed by the Chief Secretary is aimed at improving the relevance and reliability of the information - and not at paring it down to the bones - I am confident that purely technical problems can be resolved. The main emphasis must be on what is done to keep costs under control.

4. Annex E is a thoughtful and thorough analysis of the results of the scrutiny. It was, I understand, prepared by the Accountancy, Finance and Audit Division in the Treasury and should lead the report rather than be buried in the annexed data.

I am glad to see (for example, in paragraph 6 of this Annex) that departments are using the figures to question their costs.

5. The Treasury's role in this exercise should not rest at analysis, however. The main benefits will only accrue if the centre puts the information to practical use. By following up trends and pursuing anomalies in depth, it will demonstrate to departments that the information has real use. This will generate more reliable information and stimulate departments into asking more questions themselves.

6. I attach two draft letters which might be sent on your behalf to the Chief Secretary emphasising the value of the scrutiny and encouraging the Treasury and MPO to develop it sensibly and positively. One draft is intended as your general endorsement. This might go to all your colleagues. The other is for the more limited consumption of the Treasury and MPO.

Derek Rayner
5 February 1982

Encs: Draft letters as indicated

MKS

10 DOWNING STREET

From the Private Secretary

8 February 1982

Dear Terry

Scrutiny of Departmental Running Costs 1981

The Prime Minister was grateful for the Chief Secretary's minute reporting the outcome of last year's scrutiny; for the clear analysis which supported it; and for the work put into the exercise by Ministers and their departments.

The Prime Minister has asked me to make the following points about the way the scrutiny is developing.

First, Mrs. Thatcher agrees that it is extremely disappointing that, despite the good work which some departments have been doing, running costs are still rising so much. This underscores the need not merely to keep track of cost movements but to reduce the amount of resources consumed. The Prime Minister therefore has no doubt that the exercise should continue.

Secondly, the Prime Minister is strongly of the view that the scrutiny must not be allowed to lapse into a routine. Apart from being valuable in its own right, the exercise helps make a reality of the Government's policy of achieving better cost awareness and cost control. In order to be used, it must provide reliable and relevant data at the right time. The Prime Minister is glad to know that departments are using the information to question costs and she agrees that the form of the summary should be reviewed with the aim of making it even more useful to them. She would be grateful if the Chief Secretary would let her know the outcome of this review.

Thirdly, the Prime Minister thinks that while the scrutiny itself must be made as simple and economical as possible, the main emphasis must be on action rather than on the figures. This means detailed inquiry by, but chiefly on behalf of Ministers, especially in cases where the figures seem curious; for example, the Prime Minister was struck by the reference to an expenditure of £90m on "protective clothing, uniforms etc" in Annex E, paras. 7 and 10.

/Fourthly,

Fourthly, the Prime Minister hopes that the presentation to be held here on 24 February on the control of staff and non-staff costs will make a valuable contribution on this front. She looks forward to hearing the views of Ministers on that occasion. The Prime Minister hopes incidentally that the co-ordinated Running Costs reviews will clearly bring out the distinction to be made between the responsibilities of those deep in a department who may feel that they have little opportunity to affect the cost of their operations and those high managers who, with the central departments, have greater opportunities for doing so.

Finally, the Prime Minister agrees that a summary of the results of the scrutiny should be published by means of a Written Answer.

I am copying this letter to the private secretaries of members of the Cabinet, to Sir Derek Rayner, Sir Robert Armstrong and Sir Douglas Wass.

Yours ever

Willie Rickett

T.F. Mathews, Esq.
HM Treasury.

TYP

BPowlesl

10 DOWNING STREET

From the Private Secretary

8 February 1982

Dear Terry

I enclose a letter which I am sending you on the Prime Minister's behalf in response to the Chief Secretary's minute of 1 February, for which she was grateful. The Prime Minister has asked me to make a number of other points in this letter, which is restricted to the Treasury and MPO.

First, the Prime Minister thinks that the constructive analysis contained in the report represents a great improvement compared with last year's report. She would be grateful if her thanks could be conveyed to the officials concerned. She found Annex E particularly helpful and suggests that in the next round its substance should be given a greater prominence by being included in the main text.

Secondly, the Prime Minister wishes me to let you know that she attaches great importance to the role and work of the central departments in consolidating the scrutiny as part of the continuing machinery of good management. By this, she does not mean that the scrutiny should be a separate exercise for ever and a day but that the principles which lie within it should be established progressively as a matter of good routine management in departments. She would like the Minister of State (Commons) to take a particular interest in this on her behalf and to designate a senior official to lead for him.

Thirdly, the Prime Minister hopes that the central departments will consider how to make full use of the information, without unfairly harassing other departments. In particular, she thinks that while the centre should move progressively towards a sensible delegation of its authority to other departments, they must use the scrutiny information as a basis for audit of departmental systems as the need arises. She thinks that central action will be all the more effective if it is directed at particular targets, whose selection the scrutiny should assist.

Finally, the Prime Minister noted the references in the Chief Secretary's minute to the consultancy work conducted in certain departments last year and to the review of internal audit (para. 7(c) and (d)). She would be grateful if she might receive an early report on the progress made with the consultancies in the Ministry of Agriculture and the Department of Industry and,

/more generally,

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I am copying this to John Kerr, Adrian Carter and Jeremy Colman (HM Treasury), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office). and to Jim Buckley

Yours ever

Willie Rickett

T.F. Mathews, Esq.,
HM Treasury.

DRAFT OF 5 FEBRUARY 1982

C

T F Matthews Esq
HM Treasury

SCRUTINY OF DEPARTMENTAL RUNNING COSTS 1981

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Private Secretary

DRAFT OF 5 FEBRUARY 1982

T F Matthews Esq
HM Treasury

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6. I am copying this to John Kerr, Adrian Carter and Jeremy Colman (HM Treasury), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

Private Secretary

Mr RICKETT

✓ SG

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

1. Sir Derek Rayner has seen your letter to Private Secretaries of 29 January.

2. With regard to the representation of this office, he would be grateful if the Prime Minister would agree to the attendance of himself, Mr I B Beesley, Mrs E Thoms and myself. The explanation for this is that Mr Beesley is one of the two ASs responsible for the review of Resource Control (the other being Mr N B J Gurney of MPO), Mrs Thoms is the lead staff officer for the review of Running Costs while I am responsible for the staff work on presentation, including the brief.

3. However, if this representation is thought excessive, I would drop out. I think it very important that Mr Beesley and Mrs Thoms should be present. Perhaps, though I might come through for a quick one at the reception?

CP

C PRIESTLEY
5 February 1982

Civil Service Reform

PRIVATE AND CONFIDENTIAL

Government Chief Whip
12 Downing Street, London SW1

Nor

I have spoken to the Cabinet Office. NFA. [illegible] 2/2

5 February 1982

Dear Clive

I have heard a rumour that the Prime Minister has asked Michael Heseltine to do a presentation to Cabinet on how to run a Government department. I hope this is not true, as I guess it would give rise to a great deal of irritation.

Yours

Michael.

C A Whitmore Esq
Principal Private Secretary
Office of the Prime Minister
10 Downing Street
London SW1

S

Civ Service
SG

DEPARTMENT OF EDUCATION AND SCIENCE

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

FROM THE SECRETARY OF STATE

W Rickett Esq
Private Secretary
10 Downing Street
London SW1

3 February 1982

Dear Willie

You copied to Imogen Wilde your letter of 29 January 1982 to John Halliday inviting Ministers, Permanent Secretaries and examining officers taking part in this year's Resource Control Reviews and the Review of Running Costs to the presentation and reception at 10 Downing Street on Wednesday 24 February. The Secretary of State will be able to attend on 24 February, and will be accompanied by Sir James Hamilton, and Miss A M J Benham.

Yours ever

Cathy Roberts

MISS C M ROBERTS
Private Secretary

✓ SG

Treasury Chambers, Parliament Street, SW1P 3AG

Willie Rickett Esq
Private Secretary
10 Downing Street
Whitehall

3 February 1982

Dear Willie,

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

Thank you for sending me a copy of your letter of 29 January to John Halliday.

Sir Anthony Rawlinson and Mr R W L Wilding will accompany the Chief Secretary to the presentation at No.10 on Wednesday 24 February.

Yours ever

Terry Mathews

T F MATHEWS

Private Secretary

Cond Serv

From: THE PRIVATE SECRETARY

CF/ Pl collect these and show to me when they have all arrived. Pl ensure that they do so by 19/2 at the latest.
WR 3/2

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

2 February 1982 LCSG

Dear Willie

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

Your letter of 29 January asked who would be attending the presentation and reception at 10, Downing Street on Wednesday, 24 February.

The Home Office is involved in a resource control review relating to prison manpower and the leading examining officer responsible for this review is Michael Butcher, an Assistant Secretary. He will therefore be attending, in addition to the Home Secretary and Sir Brian Cubbon. We are not involved this year in the reviews of non-staff running costs.

Yours ever

Colin Walters

C J WALTERS

Willie Rickett, Esq.

3 FFR 1000

PRIME MINISTER

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Following a proposal by Derek Rayner, Christopher Soames and the CSD conducted in 1980 a pilot scrutiny of running costs of central Government departments. A further scrutiny was carried out in 1981, on which I am now reporting. It has been somewhat delayed by the lateness of some departmental returns and the onset of the Estimates season.

2. The purpose of this scrutiny is to bring to the attention of Ministers and their senior staff just what are the running costs of the operations for which they are responsible, and thus to stimulate action to restrain, and improve control of these costs and to improve systems.

3. The material gathered and some conclusions and recommendations are summarised in the note attached to this minute and its Annexes.

4. The purpose of this operation is clearly right; but I am not satisfied that we have yet got the technique right, either in the way the information is assembled or in the way it is used; or, more importantly, as to the results we are able to show. Nevertheless, now that the material is to hand I am circulating it without further delay.

5. So far as they go I commend the recommendations to you and to our colleagues. More broadly I urge that circulation of the present material be regarded as a challenge to all of us to do

better in the year ahead in curtailing these costs. There are many and various explanations, in detail valid, why particular elements in these costs go up, but we must all share the disappointment expressed in the report that despite the efforts which have been made, the trend of the aggregate is so persistently upward.

6. The main counter-action has to be to continue our general campaign for greater efficiency everywhere. At the centre this is the especial business of the MPO, but the Treasury will continue its contribution.

7. In addition, the following specific operations in hand are relevant:

a) The co-ordinated studies of arrangements in 6 Departments for estimating and controlling non-staff running costs which are to be launched shortly, prefaced by the presentation at No 10 on 24 February. These are an extension of the probing carried out by the Environment Secretary of non-staff running costs in his Department (the Joubert Report), which was in turn in part prompted by the 1980 general scrutiny.

b) The major resource control review of large executive operations, the review of personnel work and the further departmental scrutinies which make up the efficiency strategy for 1982.

c) The work in hand, in consultation with management consultants, in Defence, Industry, MAFF, DHSS and the Ordnance Survey to effect improvements and in many cases reorganisation of their systems for financial planning, monitoring and control systems. The Treasury is in touch with all these developments.

d) The Treasury will soon be proposing, I hope in a few weeks'

time, a framework of guidance for further work generally on financial management, management accounting and (with the MPO) financial training; and will press forward last year's initiative on internal audit.

Future of the running costs scrutiny

8. I have little doubt that the gathering of this information does have some effect in the desired direction; and I am told that it has been a useful if limited addition to the equipment of Treasury divisions in scrutinising the relevant Estimates for 1982-83. But the operation meets a good deal of criticism, and questioning whether its practical benefits match the time and effort put into gathering the figures.

9. As you know, work is in hand both centrally in the Treasury and in several departments to develop better management information systems. Ultimately each Minister and department ought to have an adequate system, appropriate to that department, with effective machinery for estimating and controlling the costs of its activities. When such systems are in place and working, they will produce as a regular part of the process of management much of the information now sought by the running costs scrutiny. But we are far from being at that point yet, and it will take some time to get there.

10. I propose therefore that we should conduct a further general running costs scrutiny in 1982, but give further thought to the form it can most usefully take. I am asking officials to examine and report in time for the 1982 round on how it can be made more useful and whether the amount of work involved in preparing and analysing returns for it can be reduced without damaging the essential purpose.

11. Following a suggestion you made last June, a group of officials led by the MPO have been working on the possibility of devising key ratios and performance indicators to facilitate comparisons within a department or (more difficult) between departments. They hope to report by the middle of March. We should take account of the results in the next scrutiny.

Publication

12. Some of the results of last year's operation were published in answer to Parliamentary questions and in the White Paper on efficiency. I suggest that for this 1981 round a summary paper on the lines of that included in the White Paper last year should be published by written PQ.

13. Copies of this minute and its attachments go to Cabinet colleagues, Sir Robert Armstrong and Sir Derek Rayner.

L. B.

LEON BRITTAN
1 February 1982

REPORT ON 1981 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The results of the 1981 scrutiny of the running costs of central Government Departments are summarised in this note and its annexes.

The figures collected

2. The 1980 scrutiny looked at differences between the outturn for 1979-80 and the Estimates for 1980-81; which showed an overall increase of 25%. The 1981 scrutiny provided (provisional) outturn figures for 1980-81. Because of some changes of coverage, comparison with the 1979-80 figures is an approximation, but the increase between the outturn for 1979-80 and the outturn for 1980-81 was about 19%. Details at Annex A. Between the two years the general inflation rate (measured by the GDP deflator) was 17.7%.

3. The difference between Estimates and outturn for 1980-81 is shown in more detail in Annex B. Since the Estimates are cash limits, not to be exceeded, the outturn ought to be somewhat less. But some of the differences were more than can be so explained.

4. The Estimates for 1981-82 were 13% higher than the provisional outturn for 1980-81. For the reason just stated, the outturn figures will probably show an increase less than the 13%. General inflation(GDP deflator) between the two years is estimated at 11.2%. Since within provision in the 1981-82 Estimates for 6% pay increases, Departments are absorbing the cost of the 7½% pay settlement, the underspending will probably be less than in 1980-81.

5. Details are in Annexes C and D. Annex E gives reasons for the movements in cost for the various items of expenditure. It suggests that the aggregate increase of something less than 13% is about what was to be expected after the price rises affecting the expenditure under review. The 2% cut which most Departments are to make in the relevant cash limits for 1982-83 should produce a further improvement next year, provided that the 1982 pay

settlements for the civil service are contained within the intended cash limits.

6. Annexes C and D show some wide variations between Departments. Explanations given in response to questions are predictable. For example, Employment has the highest overall increase (42%) because of the large expansion in the staff of the Unemployment Benefit Offices. Environment has the lowest increase (-0.1%) since their staff reduction was the largest of the year.

7. Non-staff costs have not always moved with staff costs. For some (eg postage, computers), there is no reason why they should; but others which could be expected to move roughly in step have not done so.

8. Annex F shows some useful savings cited in reply to the request to Departments to comment on specific measures being taken to reduce costs and improve cost effectiveness. (It excludes studies such as staff inspections and Rayner scrutinies, which are notified separately).

Conclusion

9. The following are the main conclusions and recommendations for action.

10. The general drive for improved economy and efficiency in administrative costs is producing useful savings, some identifiable, and doubtless others not identified. But the picture is patchy. That the increase in Estimates between 1980-81 and 1981-82 was about what might be expected does not mean it could not have been less. Scrutinies and other studies continue to demonstrate scope for further economies.

11. The increase of something less than 13% in the total of these costs between 1980-81 and 1981-82 is an improvement on the previous year. The total is made up of a large number and variety of components, each of which has been authorised, no doubt for reasons judged valid. Yet the total remains disappointingly high. The drive for efficiency, and the policies to reduce the size of the civil service ought to produce a better overall result than an increase in costs about the same or slightly higher than the general rate of inflation.

12. So the main recommendation is general: that in the light of these results Departments should continue, and where possible intensify, their efforts to restrain and control their running costs.

13. A large element in these is staff costs, numbers and salaries, which are the subject of specific policies. But there are other elements, some though not all of which should be influenced by staff numbers. It is recommended that attention and questioning be directed to any staff-related costs which do not fall in step with staff numbers.

14. One benefit of this co-ordinated operation should be to promote fruitful comparisons and knowledge of best practice. It is recommended that from the material collected from this and other operations, especially as runs of figures are accumulated over several years, every effort be made to devise indicators and standards and helpful comparisons. This is a task both for the Treasury centrally, and for each department.

15. The wide discrepancy between Estimates and outturn suggests a continuing need for better estimating. It is recommended that all Departments should consider their estimating record in this area and how to improve it.

29 January 1982

COMPARISON OF 1979/80 PROVISIONAL OUTTURN AND 1980/81 ESTIMATES RUNNING COSTS (ie excluding Capital and Non Office Expenditure)

Figures from 1980 Scrutiny exercise and exclude MOD service personnel and the Northern Ireland Office and Departments other than UK civil servants.

Cost Element	1979/80 Prov O'turn £m	1980/81 Estimates £m	Difference £m	Difference %
Wages and Salaries	4683.7	5825.6	+ 1141.9	+ 24.4
Personnel Overheads	194.6	236.1	+ 41.5	+ 21.3
Accommodation Costs	778.8	941.7	+ 162.9	+ 20.9
Office Services	364.1	479.5	+ 115.4	+ 31.7
Other Services	477.3	630.2	+ 152.9	+ 32.0
TOTAL RUNNING COSTS	6498.5	8113.1	+ 1614.6	+ 24.8

COMPARISON OF 1979/80 ACTUAL OUTTURN AND 1980/81 PROVISIONAL OUTTURN RUNNING COSTS (ie excluding Capital and Non Office Expenditure)

Figures from 1981 Scrutiny exercise and include MOD service personnel and Northern Ireland Office and Departments.

Cost Element	1979/80 Act O'turn £m	1980/81 Prov O'turn £m	Difference £m	Difference %
Wages and Salaries	7261.1	8756.3	+ 1495.2	+ 20.6
Personnel Overheads	574.4	635.1	+ 60.7	+ 10.6
Accommodation Costs	1586.8	1790.2	+ 203.4	+ 12.8
Office Services	432.8	543.5	+ 110.7	+ 25.6
Other Services	453.8	559.2	+ 105.4	+ 23.2
TOTAL RUNNING COSTS	10308.9	12284.3	+ 1975.4	+ 19.2

ANNEX B

COMPARISON OF 1980/81 ESTIMATES(from 1980 Scrutiny exercise) AND 1980/81 PROVISIONAL OUTTURN (from 1981 Scrutiny exercise) RUNNING COSTS (ie excluding Capital and Non Office Expenditure)

To allow a valid comparison the figures exclude the whole of MOD and the Northern Ireland Office and Departments.

Cost Element	1980/81 Estimates £m	1980/81 Prov O'turn £m	Difference £m	Difference %
Wages and Salaries	3805.3	3732.1	- 73.2	- 1.9
Personnel Overheads	182.7	165.3	- 17.4	- 9.5
Accommodation Costs	804.3	774.1	- 30.2	- 3.8
Office Services	435.3	388.3	- 47.0	- 10.8
Other Services	601.1	532.7	- 68.4	- 11.4
TOTAL RUNNING COSTS	5828.7	5592.5	- 236.2	- 4.1

COMPARISON OF 1980-81 (PROVISIONAL OUTTURN) AND 1981-82 (ESTIMATES)
GROSS RUNNING COSTS (including P&G liability and equivalent market rental)

DEPARTMENT	1980/81 PROVISIONAL OUTTURN £M	1981/82 ESTIMATE £M	DIFFERENCE 80/81 TO 81/82 AMOUNT £M	%
DEFENCE	6,446.5	7,201.5	+ 755.0	+ 11.7
FOREIGN AND COMMONWEALTH OFFICE	259.1	294.6	+ 35.4	+ 13.7
OVERSEAS DEVELOPMENT ADMINISTRATION	36.3	42.1	+ 5.8	+ 15.9
AGRICULTURE, FISHERIES AND FOOD	194.3	223.5	+ 29.2	+ 15.0
INDUSTRY	124.9	141.1	+ 16.2	+ 13.0
ENERGY	25.4	29.8	+ 4.4	+ 17.2
TRADE	140.0	159.6	+ 19.6	+ 14.0
EMPLOYMENT	208.7	296.8	+ 88.1	+ 42.2
MANPOWER SERVICES COMMISSION	275.3	311.5	+ 36.2	+ 13.1
TRANSPORT	174.9	196.3	+ 21.4	+ 12.2
ENVIRONMENT	162.8	162.6	- 0.2	- 0.1
PROPERTY SERVICES AGENCY	403.0	438.1	+ 35.1	+ 8.7
HOME OFFICE	514.6	621.0	+ 106.4	+ 20.7
LORD CHANCELLOR'S DEPARTMENT	142.6	144.9	+ 2.2	+ 1.6
EDUCATION AND SCIENCE	58.2	62.6	+ 4.4	+ 7.6
HEALTH AND SOCIAL SECURITY	1,102.9	1,303.7	+ 200.8	+ 18.2
TREASURY	18.5	20.5	+ 2.0	+ 10.6
CUSTOMS & EXCISE	311.9	339.1	+ 27.2	+ 8.7
INLAND REVENUE	735.9	810.4	+ 74.5	+ 10.1
NATIONAL SAVINGS	139.0	159.5	+ 20.5	+ 14.8
CIVIL SERVICE DEPARTMENT	55.6	61.9	+ 6.2	+ 11.2
PAYMASTER GENERAL'S OFFICE	10.4	11.8	+ 1.4	+ 13.5
SCOTTISH OFFICE	136.8	155.2	+ 18.5	+ 13.5
WELSH OFFICE	41.9	46.3	+ 4.3	+ 10.3
NORTHERN IRELAND DEPARTMENTS AND SERVICES	245.1	280.7	+ 35.5	+ 14.5
TOTAL MAIN DEPARTMENTS	11,964.6	13,514.8	+ 1550.2	+ 13.0
OTHER DEPARTMENTS	319.7	389.0	+ 69.2	+ 21.6
TOTAL	12,284.3	13,903.8	+ 1619.4	+ 13.2

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

TABLE 1: PROVISION FOR CURRENT EXPENDITURE IN 1981-82

DEPARTMENT	WAGES AND SALARIES		PERSONNEL OVERHEADS		ACCOMMODATION COSTS		OFFICE SERVICES		AGENCY SERVICES		TOTAL PROVISION FOR CURRENT EXPENDITURE £m
	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	£m	% of total running costs	
DEFENCE	5,352.4	74.3	506.3	7.0	1,152.4	16.0	171.6	2.4	18.8	0.3	7 201.5
FOREIGN AND COMMONWEALTH OFFICE	177.8	60.4	23.8	8.1	57.1	19.4	27.8	9.4	8.1	2.7	294.6
OVERSEAS DEVELOPMENT ADMINISTRATION	24.6	58.6	2.8	6.7	6.0	14.2	2.5	6.0	6.1	14.6	42.1
AGRICULTURE, FISHERIES AND FOOD	131.2	58.7	15.1	6.8	26.7	11.9	11.1	5.0	39.4	17.7	223.5
INDUSTRY	87.7	62.2	4.9	3.5	21.2	15.1	15.0	10.6	12.3	8.7	141.1
ENERGY	15.1	50.9	1.5	5.2	3.8	12.8	2.1	7.2	7.1	24.0	29.8
TRADE	73.2	45.9	4.7	2.9	35.7	22.3	17.6	11.0	28.4	17.8	159.6
EMPLOYMENT	226.1	76.2	6.5	2.2	34.0	11.5	17.5	5.9	12.6	4.3	296.8
MANPOWER SERVICES COMMISSION	194.8	62.5	13.6	4.4	60.1	19.3	33.3	10.7	9.7	3.1	311.5
TRANSPORT	116.4	59.3	6.7	3.4	23.9	12.2	20.7	10.6	28.6	14.6	196.3
ENVIRONMENT	106.9	65.8	6.4	3.9	23.2	14.3	18.0	11.1	8.1	5.0	162.6
PROPERTY SERVICES AGENCY	303.4	69.3	16.0	3.7	35.0	8.0	12.6	2.9	71.2	16.2	438.1
HOME OFFICE	443.8	71.5	19.6	3.1	135.6	21.8	17.8	2.9	4.3	0.7	621.0
LORD CHANCELLOR'S DEPARTMENT	89.0	61.4	5.9	4.1	28.5	19.7	12.5	8.6	9.0	6.2	144.9
EDUCATION AND SCIENCE	41.0	65.5	2.7	4.3	12.3	19.7	5.7	9.2	0.9	1.4	62.6
HEALTH AND SOCIAL SECURITY	774.9	59.4	24.2	1.9	113.2	8.7	113.8	8.7	277.6	21.3	1.303.7
TREASURY	13.7	67.1	0.4	1.9	3.2	15.7	1.6	7.9	1.5	7.5	20.5
CUSTOMS & EXCISE	256.0	75.5	17.9	5.3	38.2	11.3	19.7	5.8	7.2	2.1	339.1
INLAND REVENUE	605.6	74.7	19.5	2.4	111.5	13.8	64.8	8.0	8.9	1.1	810.4
NATIONAL SAVINGS	64.6	40.5	1.0	0.6	8.7	5.4	19.3	12.1	65.9	41.3	159.5
CIVIL SERVICE DEPARTMENT	35.2	56.9	3.7	5.9	9.0	14.6	8.5	13.8	5.5	8.8	61.9
PAYMASTER GENERAL'S OFFICE	6.5	55.2	0.1	0.8	1.0	8.5	2.7	22.6	1.5	12.9	11.8
SCOTTISH OFFICE	109.1	70.3	6.2	4.0	22.8	14.7	10.0	6.4	7.1	4.6	155.2
WELSH OFFICE	22.4	48.5	1.5	3.2	3.3	7.1	3.7	7.9	15.4	33.4	46.3
NORTHERN IRELAND DEPARTMENTS AND SERVICES	202.0	72.0	11.3	4.0	37.6	13.4	15.3	5.5	14.5	5.2	280.7
TOTAL MAIN DEPARTMENTS	9,473.6	70.1	722.2	5.3	2,004.1	14.8	645.2	4.8	669.6	5.0	13.514.8
OTHER DEPARTMENTS	242.9	62.4	17.8	4.6	48.5	12.5	29.7	7.6	50.0	12.9	389.0
TOTAL	9,716.5	69.9	740.0	5.3	2,052.7	14.8	674.9	4.9	719.7	5.2	13.903.3

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

TABLE 2: NET COSTS OF DEPARTMENTS 1981-82

DEPARTMENT	TOTAL PROVISION FOR CURRENT EXPENDITURE £m	CAPITAL EXPENDITURE £m	RECEIPTS £m	NET TOTAL COSTS £m
DEFENCE	7,201.5	230.5	811.1	6,620.9
FOREIGN AND COMMONWEALTH OFFICE	294.6	20.9	38.0	277.5
OVERSEAS DEVELOPMENT ADMINISTRATION	42.1	1.3	0.4	43.0
AGRICULTURE, FISHERIES AND FOOD	223.5	20.6	40.2	204.0
INDUSTRY	141.1	17.7	50.3	108.4
ENERGY	29.8	0.6	2.7	27.7
TRADE	159.6	1.4	57.9	103.0
EMPLOYMENT	296.8	1.7	188.4	110.0
MANPOWER SERVICES COMMISSION	311.5	43.8	22.4	332.9
TRANSPORT	196.3	2.5	57.1	141.7
ENVIRONMENT	162.6	6.8	41.4	128.0
PROPERTY SERVICES AGENCY	438.1	0.3	85.3	353.1
HOME OFFICE	621.0	107.7	40.5	688.2
LORD CHANCELLOR'S DEPARTMENT	144.9	34.3	61.1	118.1
EDUCATION AND SCIENCE	62.6	1.7	0.4	63.9
HEALTH AND SOCIAL SECURITY	1,303.7	25.0	508.2	820.6
TREASURY	20.5	0.4	1.2	19.6
CUSTOMS & EXCISE	339.1	10.7	13.8	335.9
INLAND REVENUE	810.4	14.9	47.8	777.5
NATIONAL SAVINGS	159.5	0.9	68.9	91.5
CIVIL SERVICE DEPARTMENT	61.9	2.8	11.3	53.4
PAYMASTER GENERAL'S OFFICE	11.8	1.1	10.8	2.1
SCOTTISH OFFICE	155.2	23.5	8.1	170.6
WELSH OFFICE	46.3	1.4	2.0	45.6
NORTHERN IRELAND DEPARTMENTS AND SERVICES	280.7	16.6	14.2	283.0
TOTAL MAIN DEPARTMENTS	13,514.8	589.1	2,293.3	11,920.4
OTHER DEPARTMENTS	389.0	17.2	109.8	296.3
TOTAL	13,903.8	606.2	2,293.3	12,216.7

NB. In some instances where rounded figures give distorted results, percentages have been based on actual figures. Calculations and totals are based on actual (not rounded) figures.

ANNEX E

THE 1981 EXERCISE:

COMPARISON OF 1980/81 PROVISIONAL OUTTURN AND 1981/82 ESTIMATES:

RUNNING COSTS (ie excluding Capital and Non Office Expenditure)

Figures from 1981 Scrutiny exercise and include MOD Service personnel and Northern Ireland Office and Departments.

Cost Element	1980/81 Prov Outturn £M	1981/82 Estimates £M	Difference £M	Difference %
Wages and Salaries	8756.3	9716.5	+ 960.2	+ 11.0
Personnel Overheads	635.1	740.0	+ 104.9	+ 16.5
Accommodation Costs	1790.2	2052.7	+ 262.5	+ 14.7
Office Services	543.5	674.9	+ 131.4	+ 24.2
Other Services	559.2	719.7	+ 160.5	+ 28.7
	12284.3	13903.8	+ 1619.5	+ 13.2

THE 1981 EXERCISE: COMPARISONS BETWEEN 1980-81 PROVISIONAL OUTTURN AND 1981-82 ESTIMATES PROVISION

Introduction

1. A scrutiny of running costs was conducted for the first time in 1980 as a pilot run. For this second exercise all the manpower and associated administrative resources for which departmental Ministers are responsible are included. This has brought in MOD service costs (except equipment), and the Northern Ireland departments.

2. Returns were submitted from all departments in a standard form, together with covering Ministerial commentaries. The figures for each of the three years covered by the exercise were calculated on a different basis: outturn for 1979-80, provisional outturn for 1980-81 and voted provision for 1981-82; each of these includes notional costs. Because some degree of underspending on Estimates is inevitable, the percentage changes from year to year, particularly 1980-81 to 1981-82, are overstated.

Total Costs

3. The exercise shows that the Estimates provide for current expenditure of £13,900 million in 1981-82. This is an increase of 13.2% on the provisional outturn for the previous year's expenditure calculated on the same coverage. They also provide for capital expenditure of £606 million.

Wages and Salaries

4. Wages, salaries, overtime payments, employers' National Insurance

contributions (ERNIC) and notional accruing liability for pensions for all staff represent about 70% of total costs as defined for the exercise. Overall, salary costs increased by 11% from £8756 million to £9716 million between 1980-81 (provisional outturn) and 1981-82 (Estimates). The increase shown in the Supply Estimates for the UK Civil Service and Armed Forces is 7.9%; that includes rises in 1981 of between 18 and 49% in Ministers' salaries and 10.3% for the Armed Forces. For the UK and Northern Ireland Civil Services there was provision for a 6% increase in pay rates for 1981-82; the year-on-year increase is also affected by the staging of the 1980 pay settlement (the full year effect not being felt until 1981-82) and an increase in ERNIC. The notional cost of the accruing liability for pensions of serving staff has been calculated on the basis of standard percentages of 20% of the non-industrial, and 16½% of the industrial, wages and salaries bill; comparable figures for previous years are 19% and 16%.

5. In looking at changes in the salaries' bill in individual departments, account needs to be taken of the composition of the staff (eg military personnel) and changes in staff numbers and grade mix. It is apparent that the basis on which manpower figures were calculated for this exercise was unsatisfactory. For permanent civilian staff an increase of 2300 was shown at a time when the size of the Civil Service was known to be falling, and indeed when the Estimates had been prepared on the basis that it would fall. The discrepancy appears to lie in the calculation of average staffing figures over the year, and this will be looked at in the next round. For military personnel the increase was shown as 7300. While this is in line with Government policy on defence, the method of calculating this figure will also be examined.

6. Provision was made for the cost of overtime to increase overall by 17%, of employing casual staff by 46%, and of locally engaged staff by 9%. In most departments the reasons for these increases are known (eg 1981 census of population, increase in benefits work). But in MOD officials have set in hand enquiries into the reasons why estimated expenditure is much greater than last year's provisional outturn.

Personnel Overheads

7. Personnel overheads account for 5% of total expenditure, and overall show an increase in cost of 16.5% between 1980-81 and 1981-82. The increase in individual elements are as follows:

	1980/81 £M	1981/82 £M	Difference %
Travel and Subsistence	357.1	427.4	+ 19.7
Removals	40.5	54.5	+ 34.5
Entertainment	3.4	4.9	+ 43.8
Catering Subsidies	117.2	123.7	+ 5.5
Protective Clothing, Uniforms etc	88.1	90.2	+ 2.4
External Training, Seminars etc	28.7	39.3	+ 36.9
	635.1	740.1	+ 16.5

Note: T & S figures include MOD and NIO removals cost and Lord Chancellor's Department's removals, entertainments, catering and clothing costs.

8. For all departments travelling and subsistence accounts for the greater part of expenditure in this area. The increase of 20% is caused mainly by the higher cost of public transport and higher mileage rates. While some departments reported volume reductions, in others there have been volume increases arising

from increased numbers of staff working on combatting fraud, and in the law and order fields. Other factors are the cost incurred by dispersal and staff transfers (MSC, Home Office, ODA and OPCS) and the UK Presidency of the European Community in the second half of 1981 (Trade, Treasury and Cabinet Office). This latter is also the cause of an increase in entertainment costs in a few departments.

9. On removals, volume increases in some departments must be added to price increases because of dispersal, regional re-organisation or redeployment of staff around the country to maintain balanced working units during the rundown in staff numbers (Energy, PSA, CISCO and MAFF). The apparent year-on-year increase of nearly 35% must be treated with caution because removal costs in MOD, NIO and the LCD are shown under other 'personnel overheads' items.

10. The increase in expenditure on catering subsidies is small - only 5% - but reflects the move from 1 April 1981 to full repayment for Civil Service Catering Organisation services with a contribution to overheads as well as direct running costs of restaurants. Prices of protective clothing seem relatively static, with some departments reporting volume reductions, while others - particularly those moving to new buildings - report a volume increase. The overall effect is an increase of only 2% in costs. On external training there was a volume increase in a number of departments, mainly in the field of computer technology. Training costs generally increased by nearly 37%.

Accommodation

11. Accommodation costs borne by the PSA on an allied service basis

(maintenance, heating, lighting, utilities, furniture and fittings) and rates, which are the responsibility of the Rating of Government Property Department, are included. Additionally an equivalent market rental value has been attributed to office, specialised (eg prisons, laboratories) and storage accommodation, whether Crown or leased property, except for buildings on Defence land or overseas. The notional costs shown represent about half the total accommodation costs. In 1981-82 these elements together account for nearly 15% of the costs covered by this exercise. Since the figures for earlier years are on a different basis (fewer rental zones, exclusion of specialised accommodation etc), no true year to year comparison is possible. The best estimate is a 15% increase.

Office Services

12. Office services represent nearly 5% of total costs. Taken together the cost of these services increased by 24% between 1980-81 and 1981-82, but there is considerable variation between major items, as shown below:

	1980/81 £M	1981/82 £M	Difference %
Telecommunications	154.8	183.5	+ 18.5
Postage	128.8	130.7	+ 1.5
Office Machinery) Stationery) Photocopying) Printing and Publications)	139.0	192.5	+ 38.4
Publicity and Advertising	35.1	48.6	+ 38.4
Library Services	9.9	13.5	+ 36.3
Admin Computers	31.5	51.4	+ 63.3
PSA Transport	3.7	4.4	+ 19.2
Transport (own department)	4.2	4.6	+ 11.3
Minor administrative expenses	36.5	45.7	+ 25.1
	543.5	674.9	+ 24.2

Note: Many departments were unable separately to identify OFFICE MACHINERY, STATIONERY, PHOTOCOPYING AND PRINTING AND PUBLICATIONS and a combined figure is thus shown.

13. Telecommunications and postage (which account for nearly half of all office services expenditure) have both been substantially affected by increases in Post Office charges. On telecommunications, charges for dialled unit calls rose by 14%, rentals by 20% and telex and private wire rentals by 50% in November 1980. The increase of 18.5% in costs reflects not only these rises in charges but also some volume increases arising mainly from office expansion to deal with increasing benefits work, and from dispersal. Some departments (MAFF, MSC, Inland Revenue, Treasury) have, however, reported reduced telephone usage or fewer extensions. On postage, the move to public postal arrangements during the last or current financial years has tended to distort expenditure patterns because departments have been using up stocks of franked envelopes. This may account for the increase of only 1.5% in postage costs between the two years.

14. From 1 April 1980 HMSO moved to repayment for office machinery, stationery, photocopying, printing and publications, but because of certain problems departments were only billed for 10 or 11 months in that year. As a result the outturn for 1980-81 is artificially low, and the deficit has had to be made up in the current year. The apparent year-on-year increase of 38% is therefore misleading; the real increase must be in the region of 8%, which is in line with HMSO price increases between the two years. The increase in publicity and advertising costs of 38% reflects not only price rises but also the needs of the Youth Opportunities Programme and the Small Firms Services, an upturn in the recruitment of staff such as prison officers,

additional work on the schools-industry link, and publicity about changes in companies legislation. The 36% increase in library services is explained by a 30% rise in the cost of books and distortion in the billing for HMSO publications.

15. Current (as opposed to capital) expenditure on administrative computers shows a 63% year-on-year increase. Departments give as the explanation for this higher maintenance charges and a growing requirement for maintenance with increasing computerisation.

Agency Services

16. Overall, the cost of agency services represents 5.2% of total expenditure, though for some departments these services are a very sizeable proportion of their running costs eg 41% in the case of DNS. The increase of nearly 29% between 1980-81 and 1981-82 is largely accounted for by substantial rises in Post Office agency charges (of about 21%) and in the charges for GIRO and other banking services. But these areas have also seen volume increases because of the boost to National Savings, and payment of more unemployment benefits.

17. Additionally, with constraints on manpower, and pressure for more contracting out of services such as cleaning where this is in the interests of economy, greater use of services provided by the private sector is not unexpected. Generally, departments seem to be making less use of agency typists, but a wide range of specialists and consultants need to be employed where particular expertise is not available within departments; this practice is continuing.

Capital Expenditure

18. Items such as land, buildings, vehicles, vessels and major pieces

office machinery are covered by this heading. Together these totalled £606 million in 1981-82. Because this type of expenditure occurs irregularly, no comparison is made with previous years.

19. Vehicles and vessels are replaced as the need arises, and expenditure therefore varies considerably from year to year. But there are signs of increasing expenditure on computer systems, word processors and - at least for the present - on franking machines for the move to public postal methods.

Receipts and work for other departments

20. Departments carry out work for:

a) external customers on repayment;

b) other departments on repayment; and

c) other departments on an allied service basis (ie this cost is borne on the supplying departments vote).

These amounts have been included for the first time in this year's exercise. In 1981-82 it is estimated they will total some £2,266 million of which the greater part comes from external customers. For transactions with other departments the charges are also reflected in the receiving department's costs.

ANNEX F

DEPARTMENTAL MEASURES TO REDUCE RUNNING COSTS ON COMMON SERVICES

The White Paper on Efficiency, Cmnd 8293, referred to measures of various kinds being taken to reduce running costs. As a part of the 1981 annual scrutiny of running costs, departments were asked to indicate specific action being taken to reduce particular cost elements. An illustrative list of these is shown below. The list includes as appropriate (and marked with an asterisk *) studies with which officials from the centre have been associated, but excludes complete summaries of studies, such as staff inspections and Rayner scrutinies, which are notified to Ministers separately. In the case of Rayner scrutinies especially, it is also sometimes difficult to distinguish the impact of recommendations on running costs particularly. (Other studies by separate agencies having Service-wide responsibility for particular functions are also excluded. Examples are studies by the Property Services Agency of accommodation needs, and by the Central Computer and Telecommunications Agency of computing. Such studies nevertheless often have cost reduction, or improved cost effectiveness, as a prime aim.)

Cost element (and outline of economy)	Departments examining relevant costs	Savings reported
Personnel overheads		
1. TRAVEL AND SUBSISTENCE: (local budgeting checking systems, travel schemes)	Agriculture Defence, Employment. Energy, Foreign & Commonwealth, Inland Revenue. Scottish Office	£2.2 million pa
2. CATERING/CLEANING (change to contracting arrangements)	Defence	£1.3 million 1981-82
3. PROTECTIVE CLOTHING/ UNIFORMS (improved systems)	Customs, Environment	£56,000
4. TRAINING (improved procedures)	Scottish and Welsh Offices	not yet quantified
Accommodation		
5. OFFICES/STORES* (rationalisation of estates. sale of land holdings)	Agriculture. Defence, Employment. Environment, Inland Revenue. Trade	£10.5 million
6. ENERGY (new systems, fuel economies)	Employment. Northern Ireland Office, Home Office, Scottish Courts Administration	£600,000 pa

Cost element (and outline of economy)	Departments examining relevant costs	Savings reported
Offices Services		
7. TRANSPORT * (reviews leading to economies)	Agriculture, Employment, Foreign & Commonwealth, Home Office, Customs	£600,000 pa £50.000 capital
8. TELECOMMUNICATIONS * (reviews leading to economies: tighter rules)	Civil Service. Customs. Defence. Employment. Environment, Foreign & Commonwealth, Health & Social Security. Home Office. Inland Revenue. Industry/Trade, Scottish Office	£4.5 million
9. POST * (reviews of services, Rayner scrutinies)	Environment. Foreign & Commonwealth (including Overseas Development Administration) Industry/ Trade. Welsh Office	£765,000
10. MESSENGERS * (reviews leading to reductions in complement)	Agriculture, Cabinet Office Civil Service. Central Office of Information, Customs. Defence. Education, Environment, Export Credits Foreign & Commonwealth, Health & Social Security. Home Office Inland Revenue, Trade. Treasury National Savings. Welsh Office	£1.5 million pa
11. TYPING SERVICES * (reviews leading to economies)	Agriculture, Environment. GCHQ. Health & Social Security, Inland Revenue. Treasury, Welsh Office	£860,000 pa
12. STATIONERY (closer monitoring)	Customs, Foreign & Commonwealth, Inland Revenue	economies totalling £500,000 pa
13. PRINTING. PUBLICATIONS. PUBLICITY ADVERTISING (restricted distribution)	Agriculture, Defence. Employment. Inland Revenue. Scottish Office, Treasury Welsh Office	approximately £50,000 pa
14. LIBRARY SERVICES (economies)	Employment. Inland Revenue Scottish Office	approximately £170,000 pa
15. COMPUTING (new projects and economies	Defence Scottish Office	£400,000

C[illegible] element (and outline of economy)	Departments examining relevant costs	Savings reported
Miscellaneous		
16. Removals; photo-copying; bill-paying and claims procedures inspection and audit; regrouping of legal divisions; organisation of standard language libraries; rationalisation of skillcentres; computerisation of training allowances; supplement controls; economies in radio network; good housekeeping	Defence, Employment, Foreign & Commonwealth National Savings	£9 million pa + £21 million capital
Improved control systems		
These systems are generally under development and have broader objectives.		
Departments are not able to estimate specific savings.		
17. Local cost-centre budgeting; improved account and audit systems computerised monitoring facilities; use of consultant advice on systems; cost consciousness campaigns	Agriculture. Civil Service Defence. Employment, Environment. Fair Trading. Office of Population Censuses and Surveys. Lord Chancellor's, Northern Ireland Office, Overseas Development Administration, Ordnance Survey. Scottish Office. Treasury, Welsh Office	

FILE

Circ to RM

cc: FCO
HMT (x4)
MoD
DES
DOE
SO

D/M
DOT
D/N
MPO (x2)
CO (x2)

10 DOWNING STREET

From the Private Secretary

29 January, 1982

Control of Staff and Non-Staff Running Costs

Clive Whitmore's Dear Private Secretary letter of 15 December 1981 on the Efficiency Strategy for 1982 indicated that there would be a presentation at 10 Downing Street on Wednesday, 24 February (5.00 pm - 6.30 pm) for Ministers, Permanent Secretaries and examining officers taking part in this year's Resource Control Reviews and the Review of Running Costs, followed at 6.30 pm by a reception.

The purpose of this letter is to invite the Home Secretary and the other Ministers taking part in these reviews to attend the presentation, for which formal invitations will be issued shortly, together with their Permanent Secretaries and examining officers; and to explain the nature and aim of the presentation.

The purpose of the presentation is to help Ministers and their departments in their reviews of their systems for controlling staff and other costs by offering an opportunity to hear about the experience of one department (the Department of the Environment) and to discuss the progress made and the issues which arise in this area.

The presentation will be chaired by the Prime Minister. The Chief Secretary has been invited to set the scene with a brief comment on relevant Treasury policies for financial management. The Secretary of State for the Environment and some of his officials will then outline the methods they have introduced to control staff and non-staff running costs, this being one example of the various approaches in use across Whitehall. The presentation itself will take about forty-five minutes, after which there will be time for questions and answers and for general discussion.

The presentation will end at about 6.30 pm, and the Prime Minister hopes that all those attending it will stay on for a short reception.

/I should

DSG

I should be grateful if you and the Private Secretaries to whom I am copying this letter would let me know by Friday, 12 February the names of those who will be attending. Given the pressure on space, representation from each department will have to be limited to the Minister, the Permanent Secretary and the leading examining officer responsible for each Resource Control or Running Costs review.

I am sending copies of this letter to Brian Fall (FCO), John Kerr, Terry Mathews, Adrian Carter and Jeremy Colman (HM Treasury), David Omand (Ministry of Defence), Imogen Wilde (Department of Education and Science), David Edmonds (Department of the Environment), Muir Russell (Scottish Office), Barnaby Shaw (Department of Employment), John Rhodes (Department of Trade), Julian West (Department of Energy), Jim Buckley and Eleanor Goodison (MPO) and David Wright and Clive Priestley (Cabinet Office).

W. F. S. RICKETT

J F Halliday, Esq
Home Office

Mr WHITMORE

Cir Service

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS: PRESENTATION AND RECEPTION ON 24 FEBRUARY

Thank you for your minute of 19 January.

2. I have seen Mr Edmonds's letter to you of today's date.

3. It is highly likely that the CST will accept the Prime Minister's invitation to speak briefly at the start of the presentation and I shall be seeing Treasury and DOE officials shortly to ensure that the messages to be delivered dovetail.

4. The draft letter to Mr Halliday is not quite right in two respects:

(1) MOD is undertaking two Resource Control Reviews - of RAF support and the Meteorological Office, for which the examining officers are Air Marshal Sir Alan Davies and Mr John Miles respectively. DOT is taking part in both the Resource Control and the Running Costs Reviews. We should like these four officers to be present. If you agree, the last sentence of the penultimate paragraph might read:

"Given the pressure on space, representation from each department should be limited to the Minister, the Permanent Secretary and the leading examining officer responsible for each Resource Control or Running Costs Review."

(2) Transport is not taking part and Mr Mayer's name should be deleted.

5. I assume that Mr Rickett will now be responsible for the arrangements at your end, but we will of course do all we can to help. In particular, we shall prepare a brief for the Prime Minister in due course.

CP

C PRIESTLEY
22 January 1982

MCS EC/SG

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

22 January 1982

To await reply from Treasury.
22/1

Dear Clive,

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 19 January about a presentation at No 10 on 24 February on the methods introduced in the DOE to control staff and non-staff running costs.

The Secretary of State would be very pleased to give such a presentation, together with the Permanent Secretary and senior officials of the Department. Mr Joubert will be included.

We have no comments on the draft invitation.

I am copying this to Terry Mathews and Clive Priestly.

Yours ever,

Dick Edmonds

D A EDMONDS
Private Secretary

officials are:-

Mr. Tusley
Mr. Harrop.
Mr. Edmunds.
Mr. Joubert.
Mr. Alfred.
Mr. Ennals
Mr. Chipperfield.
Mr. Routh.
Mrs. McDonald.
Miss. Booth.

S. Goodchild informed.
6/2/82

Clive Whitmore Esq
No 10

File AH
cc's Tsy
CO

10 DOWNING STREET

From the Principal Private Secretary

19 January 1982

Dear David,

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

As you know, the Prime Minister has decided to follow up the presentation your Secretary of State and his officials gave her on 11 November 1981. The purpose of this letter is accordingly to invite your Secretary of State on her behalf to make a similar presentation to other Ministers and their officials here at No 10 on the evening of Wednesday 24 February. (Clive Priestley has already been in touch with George Moseley about this, and the event was foreshadowed in my Dear Private Secretary letter of 15 December 1981 about this year's scrutiny programme).

The arrangements proposed are as follows:

i) The presentation will begin at 5.00 pm in the large dining room; should allow time for questions and discussion; and will end at 6.30 pm.

ii) The presentation will be chaired by the Prime Minister and if the Chief Secretary wishes to use it, will include an opportunity for him to speak early and briefly about relevant Treasury policies for financial management.

iii) The presentation is for the Ministers, Permanent Secretaries and examining officers taking part in this year's Government-wide reviews of self-contained executive operations ("resource control" reviews) and of the control of running costs. Sir Derek Rayner and the central teams for the two reviews will also be present.

iv) The purpose of the presentation as noted in the Prime Minister's letter to your Secretary of State of 13 November 1981, is to help departments along the road towards a proper financial information and cost control system. The Prime Minister hopes that the MINIS and Joubert systems for controlling staff and non-staff running costs can be applied more widely in Whitehall, but since they cannot be imposed on departments, she believes that departments should be encouraged to come forward with their own proposals

AH

for improvement. The invitation to your Secretary of State is accordingly to stimulate discussion by explaining his own approach, in relation to staff numbers as well as other expenditures.

v) At 6.30 pm those attending the presentation will move to the Pillared Room for a short reception.

I should be glad to have your confirmation that your Secretary of State can undertake the presentation. Clive Priestley, who is dealing with the staff work, is already in touch with your Department about the detailed arrangements, including the structure of the presentation. The Prime Minister would be grateful if Mr Joubert could be included in your Secretary of State's party.

I enclose a copy of a letter to Terry Mathews (Treasury) which is self-explanatory. I also enclose a draft of the letter which I propose to send to Departments about the presentation; this should issue fairly soon now, and I should therefore be glad to know by 25 January at the latest whether you have any comments on it.

I am copying this letter to Terry Mathews (Treasury) and Clive Priestley (Cabinet Office).

Yours ever,

Alex Whitmore.

D A Edmonds Esq.,
Department of the Environment.

File AH

cc DOE
CO

10 DOWNING STREET

From the Principal Private Secretary

19 January 1982

Dear Terry,

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I enclose a copy of a letter to David Edmonds (DOE) which I think you will find self-explanatory.

The Prime Minister wonders whether the Chief Secretary would like to lead off the presentation on 24 February with a short scene-setting piece of, say, five minutes. The purpose of this might be to set the contribution from the Department of the Environment in the larger setting of the Government's policies for financial management more generally. In the time available such an introduction by the Chief Secretary would have to be cast in broad terms and would not need to go into detail.

Clive Priestley in Sir Derek Rayner's office is doing the staff work on the presentation, and if there is any further information you need before the Chief Secretary decides how to respond to the suggestion in the previous paragraph, he will gladly give it. I should be grateful to know by 25 January what the Chief Secretary would like to do. It would be helpful if you could let me have at the same time any comments you have on the draft letter to John Halliday.

I am copying this letter to David Edmonds and Clive Priestley.

Yours ever,

Clive Whitmore.

T F Mathews Esq.,
H M Treasury.

AH

File AH
cc CO
MPO

10 DOWNING STREET

From the Principal Private Secretary

MR PRIESTLEY

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS : PRESENTATION AND RECEPTION ON 24 FEBRUARY

Thank you for your minute of 11 January 1982 about the presentation on staff and non-staff departmental running costs to be given by the DOE on 24 February.

We discussed the question of who should chair the presentation, and I have now been able to consult the Prime Minister. She thinks that she should take the chair herself, and my letters to Mr Edmonds and Mr Mathews (copies attached) accordingly reflect her decision.

She also agrees that the Chief Secretary should be given the opportunity of saying a few words at the start of the presentation to put the DOE's contribution into the context of the Treasury's general policies on financial management.

When you came round yesterday with the people from the DOE who are handling the presentation, we agreed that we should think in terms of an audience of about sixty. Allowing for the DOE's own contingent and representation from the Cabinet Office, MPO and Treasury, as suggested in paragraph 7(3) and (4) of your minute, this means that each of the participating departments can be allowed no more than three places.

I envisage the reception being confined to those attending the presentation.

I am copying this minute to Sir Robert Armstrong and Mr Cassels (without attachments).

TAW.

19 January 1982

AH

DRAFT LETTER FROM THE PRIME MINISTER'S ~~PRINCIPAL~~ PRIVATE SECRETARY TO THE PRIVATE SECRETARY TO THE HOME SECRETARY

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

Clive Whitmore's

~~My~~ Dear Private Secretary letter of 15 December 1981 on the Efficiency Strategy for 1982 indicated that there would be a presentation at 10 Downing Street on Wednesday 24 February (5.00 pm-6.30 pm) for Ministers, Permanent Secretaries and examining officers taking part in this year's Resource Control Reviews and the Review of Running Costs, followed at 6.30 pm by a reception.

The purpose of this letter is to invite the Home Secretary and the other Ministers taking part in these reviews to attend the presentation, for which formal invitations will be issued shortly, together with their Permanent Secretaries and examining officers; and to explain the nature and aim of the presentation.

The purpose of the presentation is to help Ministers and their departments in their reviews of their systems for controlling staff and other costs by offering an opportunity to hear about the experience of one department (the Department of the Environment) and to discuss the progress made and the issues which arise in this area.

The presentation will be chaired by the Prime Minister. The Chief Secretary has been invited to set the scene with a brief comment on relevant Treasury policies for financial management. The Secretary of State for the Environment and some of his officials will then outline the methods they have

introduced to control staff and non-staff running costs, this being one example of the various approaches in use across Whitehall. The presentation itself will take about forty-five minutes, after which there will be time for questions and answers and for general discussion.

The presentation will end at about 6.30 pm, and the Prime Minister hopes that all those attending it will stay on for a short reception.

I should be grateful if you and the Private Secretaries to whom I am copying this letter would let me know by 12 February the names of those who will be attending. Given the pressure on space, representation from each department will have to be limited to ~~should be no more than three, namely~~ the Minister, the Permanent Secretary and the leading examining officer responsible for each ~~the Review of~~ Resource Control or ~~of~~ Running Costs review.

I am sending copies of this letter to Brian Fall (FCO), John Kerr, Terry Mathews, Adrian Carter and Jeremy Colman (Treasury), David Omand (MOD), Imogen Wilde (DES), David Edmonds (DOE), Muir Russell (SO), Barnaby Shaw (DE) John Rhodes (DOT), Julian West (DEn), Anthony Mayer (DTp), Jim Buckley and Eleanor Goodison (MPO), David Wright and Clive Priestley (CO).

Wtgn

MR WHITMORE

RUNNING COSTS: PRESENTATION ON 24 FEBRUARY

I promised some amendments to the draft letters I supplied last week - here they are, in the form of ms changes to the drafts before you. The changes assume that the PM would chair the presentation.

2. I will tee up the arrangements with DOE and the Treasury (if they want to play in this match - not certain by any means) and with Mr Rickett on his return from leave. I will also supply a brief in due course.

CP

C PRIESTLEY
18 January 1982

Encs: As indicated

DRAFT OF 11 JANUARY 1982

This letter falls if the Prime Minister chairs the presentation.

J Buckley Esq
Private Secretary to the
Chancellor of the Duchy of Lancaster

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

The Prime Minister has asked me to write on her behalf to invite the Chancellor of the Duchy to take the chair at the intended presentation to be held here on Wednesday 24 February (5.00 pm - 6.30 pm). The Prime Minister herself would afterwards receive the Ministers and officials taking part in and attending the presentation (6.30 pm - 7.30 pm).

2. The purpose and nature of the presentation are outlined in the enclosed copy letter to David Edmonds (DOE). In brief, Mr Heseltine and some of his officials would repeat the presentation they gave the Prime Minister on 11 November last, the audience on this occasion consisting of the Ministers, Permanent Secretaries and examining officers contributing to this year's Reviews of Resource Control and Running Costs.

3. Mrs Thatcher would be grateful if Lady Young would agree to preside, introducing the Chief Secretary (if he wishes to take part, see the enclosed copy letter to Terry Matthews); the Secretary of State for the Environment, who will then introduce his officials; and general discussion afterwards. It would be helpful if I might have an answer by [22] January.

4. I also enclose a draft letter to John Halliday (Home Office), which invites Ministers and their officials to the presentation and reception. Please let me know whether you have any comments on the draft.

5. I am copying this to David Edmonds (DOE), Terry Matthews (HM Treasury), David Wright (CO), Eleanor Goodison (MPO) and Clive Priestley (CO), who is responsible for the staff work for the presentation.

W F S Rickett

Encs: Copy letters to Messrs Edmonds and Matthews (DOE and HM Treasury)
Draft letter to Mr Halliday (HO)

~~DRAFT OF 11 JANUARY 1982~~ 18

T F Matthews Esq
Private Secretary to the
Chief Secretary to the Treasury

Agreed

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I enclose a copy of a letter to David Edmonds (DOE) which ~~and Jim Buckley (MPO) which, together with the draft letter~~ to ~~John Halliday (HO)~~, I think you will find self-explanatory.

2. ~~The purpose of this letter is to ask~~ The Prime Minister wonders whether the Chief Secretary would like to lead off the presentation on 24 February with a short scene-setting piece of, say, five minutes. The purpose of this might be to set the contribution from the Department of the Environment in the larger setting of the Government's policies for financial management more generally. ~~I would see it as reasonably precise as to policies and their aims, but not needing to be at all technical.~~ If the time available ~~the Chief~~ such an introduction by the Chief Secretary would have to be cast in broad terms and could not need to go into detail.

3. The view here is that if the opportunity fits well with developments on the financial management front, the Chief Secretary might find it helpful to take it, but that if it does not the Chief Secretary need not feel bound to do so.

~~4.~~ 3. Clive Priestley in Sir Derek Rayner's office is doing the staff work on the presentation, and ~~unless you are able to give an answer at once, perhaps the best course would be for him to discuss this with you and DOE~~, if there is any further information you need before the Chief Secretary decides how to respond to the suggestion in the previous paragraph, he will gladly give it. so that a view can ~~be taken in the light of what is intended by DOE. If so, will you please contact him direct? Either way~~, I should be grateful to know ~~the outcome~~ by [22] 25th January ~~together with~~ whether the Chief Secretary would like to do. It would be helpful if you could let me have an early answer.

1

any comments you ~~might~~ have on the draft letter to John Halliday.

4. I am copying this to David Edmonds, ~~Jim Buckley~~ and Clive Priestley.

C.A. Whitmore

~~W F S Rickett~~

Encs: Copy letters to Messrs Edmonds ~~and Buckley~~
Draft letter to Mr Halliday, Home Office

~~DRAFT OF 11 JANUARY 1982~~

D A Edmonds Esq
Private Secretary to the
Secretary of State for the Environment

typed

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

As you know, the Prime Minister has decided to follow up the presentation your Secretary of State and his officials gave her on 11 November 1981. The purpose of this letter is accordingly to invite your Secretary of State on her behalf to make a similar presentation to other Ministers and their officials here at No 10 on the evening of Wednesday 24 February. (Clive Priestley has already been in touch with George Moseley about this, and the event was foreshadowed in ~~Clive Whitmore's letter to~~ my joint private secretaries ~~letter~~ of 15 December 1981 about this year's scrutiny programme.)

2. The arrangements proposed are as follows:

(1) The presentation ~~should~~ will begin at 5 pm in the large dining room; should allow time for questions and discussion; and will end at 6.30 pm.

(2) The presentation ~~would~~ will be chaired by ~~[the Chancellor of the Duchy of Lancaster] on behalf of~~ the Prime Minister and, if the Chief Secretary wishes to use it, ~~may~~ will include ~~a slot~~ an opportunity for him to speak briefly about relevant Treasury policies *for financial management.*

early and

(3) The presentation is for the Ministers, Permanent Secretaries and examining officers taking part in this year's Government-wide reviews of self-contained executive operations ("resource control" reviews) and of the control of running costs. Sir Derek Rayner, ~~Mr Cassels~~ and the central teams for the two reviews will also be present.

Q [Mr. C. will be present as Perm. Sec. of a participant Dept.]

(4) The purpose of the presentation as noted in the Prime Minister's letter to your Secretary of State of 13 November 1981, is to help departments along the road towards a proper financial information and cost control system. ~~That explains the choice of location. As you know,~~ The Prime Minister hopes that the MINIS and Joubert systems for controlling staff and non-staff running costs can be applied more widely in Whitehall, but ~~as~~ since they cannot be imposed on departments, ~~the better approach is to encourage~~ the Government departments should be encouraged to come forward with their own proposals for improvement. The invitation to your Secretary of State is accordingly to stimulate discussion by explaining his own approach, in relation to staff numbers as well as other expenditures.

(those attending the presentation will)

~~the Prime Minister,~~

(5) At 6.30 pm, ~~Ministers and officials~~ move to the Pillared Room, ~~where the Prime Minister will receive them. The~~ reception ~~will last about an hour, until 7.30 pm.~~

for a short

3. I should be glad to have your confirmation that your Secretary of State can undertake the presentation.

is already Clive Priestley, who is dealing with the staff work, ~~will be~~ in touch with you ~~separately~~ about the detailed arrangements, including the structure of the presentation, ~~but I should say now that~~ The Prime Minister would be grateful if Mr Joubert ~~could play some part in it~~ ~~will~~ could be included in your Secretary of State's party.

4. I enclose a copy ~~copies of~~ letter to Terry Matthews (Treasury) ~~and Jim Buckley (MPO)~~ which ~~are~~ is self-explanatory. I also enclose a draft of the letter which I propose to send to Departments about the presentation; this should issue fairly soon now, and ~~so~~ I should then be glad to know by ~~[illegible]~~ 25th January at the latest whether you have any comments on it.

5. I am copying this letter to Terry Matthews (Treasury) ~~, Jim Buckley~~, Clive Priestley (Cabinet Office), ~~and Eleanor Goodison (MPO)~~.

C.A. Whitmore

~~W F S Rickett~~

Encs: Copy letter~~s~~ to ~~Messrs~~ Mr. Matthews ~~and Buckley~~
Draft letter to Departments

DRAFT OF ~~11~~ 18 JANUARY 1982

Draft

J F Halliday Esq
Private Secretary to the
Secretary of State for the Home Department

typed as draft

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

~~Clive Whitmore's~~ my Dear Clive's letter of 15 December 1981 ~~to Private Secretaries~~ on the Efficiency Strategy for 1982 indicated that there would be a presentation at 10 Downing Street on Wednesday 24 February (5.00 pm - 6 30 pm) for Ministers, Permanent Secretaries and examining officers taking part in this year's Resource Control Reviews and the Review of Running Costs, followed at 6.30 pm by a reception ~~given by the Prime Minister (6.30 pm - 7.30 pm)~~.

2. The purpose of this letter is to invite the Home Secretary and the other Ministers taking part in these reviews to attend the presentation, for which formal invitations will be issued shortly, together with their Permanent Secretaries and examining officers; and to explain the nature and aim of the presentation.

3. The presentation will be held in the large dining room under the chairmanship of ~~and will be chaired on~~ the Prime Minister ~~'s behalf by [the Chancellor of the Duchy of Lancaster]~~.

~~4.~~3. The purpose ~~aim~~ of the presentation is to help Ministers and their departments in their reviews of their systems for controlling staff and other costs by offering an opportunity to hear about ~~of~~ the experience of one department (the Department of the Environment) and to discuss the progress made and the issues which arise in this area.

The presentation will be chaired by the Prime Minister.

~~8.~~ 4 The Chief Secretary has been invited to set the scene with a brief comment on relevant Treasury policies for financial management. The Secretary of State for the Environment and some of his officials will then outline the methods ~~used by them~~ they have introduced to control staff and non-staff running costs, this being one example of the various approaches in use across Whitehall. ~~These observations~~ The presentation will take about 45 minutes, after which there will be time for questions ~~to~~ and answers ~~from the Department~~ and for general discussion.

5. The presentation will end at about 6.30 pm, and the Prime Minister hopes that all those attending will be able to stay on for a short reception.

~~6. At 6 30 pm, Ministers and officials would move to the Pillared Room, where the Prime Minister will receive them.~~

~~7.~~ 6 I should be grateful if you, and the Private Secretaries to whom I am copying this ~~(list below)~~, would ~~kindly~~ let me know by ~~[29] January~~ 12 February the names of those who will be attending. Given the pressure on space, ~~I suggest that the~~ representation ~~of~~ from each department should be no more than three, namely the Minister, the Permanent Secretary and the leading examining officer responsible for the Review of Resource Control or Running Costs ~~as the case may be~~.

~~8.~~ 7 I am sending a copy of this letter to Copies ~~go to~~ those ~~listed below~~ who will attend ~~better~~ this.

C. A. Whitmore

~~W F S Rickett~~

Circulation

~~G G H Walden~~ Esq, FCO

~~J O~~ Kerr Esq, ~~T F~~ Matthews Esq, ~~A A~~ Carter Esq, and ~~J G~~ Colman Esq, HM Treasury

D Omand Esq, MOD

Mrs. I. Wilde

~~P A Shaw~~, DES

~~D A~~ Edmonds Esq, DOE

~~R Dykes Esq~~, DE

~~J N Rees Esq~~, DOT

J ~~D~~ West Esq, DEn

~~R A J~~ Mayer Esq DTp

J Buckley Esq and ~~Miss~~ E Goodison, MPO

~~D J~~ Wright Esq and ~~G~~ Priestley Esq, CO

A. M. Russell Esq, SO

PRIME MINISTER

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS: PRESENTATION AND RECEPTION ON 24 FEBRUARY

When you had your presentation on the control of Departmental running costs which Mr. Heseltine gave on 11 November, you said that you would like to hold a similar occasion for Ministers and Permanent Secretaries from a number of other Departments in order to persuade them of the importance of this sort of work and to give them an opportunity to learn from the DOE's experience. Mr. Rickett subsequently consulted you about the form which this meeting should take and the precise scope which it should cover. As regards scope, the presentation will deal with not only non-staff costs but also, at your request, the control of staff numbers.

There is, however, some uncertainty about the form which the meeting should take.

You agreed when Mr. Rickett consulted you earlier that there should be a presentation lasting, in all, some 90 minutes and that this would then be followed by a reception in the Pillared Room for those attending the presentation (about 60 people at the outside). There is a presumption in our papers that you would not yourself be present at the presentation and would join those attending only at the start of the reception. I wonder whether you are content with this. You have of course already heard at the earlier presentation some of what Mr. Heseltine and his team will say to other Ministers on 24 February, though I understand that they will also deal with aspects of their Departmental control systems which they did not touch on in November. But if you do not attend the presentation, there is the question who takes the Chair. The Home Secretary will be present but he will be there as one of those who are attending to listen and to learn and so it would hardly be appropriate for him to run the occasion. Sir Derek Rayner's Office have suggested that Lady Young should oversee proceedings, but I do not think that it would be easy for her to play this role with the Home Secretary and other Senior Ministers present (and indeed I understand from Mr. Priestley that since suggesting Lady Young, he has had some very private indications that one or two senior colleagues would not

/be very happy

be very happy at the idea of her overseeing the meeting).

There is one other point which argues for you Chairing the presentation. As you know, on this subject Mr. Heseltine is not the most popular Minister with some of his colleagues, and I think that it would reinforce with other Departments the lessons which the DOE have to offer and make them take the presentation the more seriously, if you were there to be seen to be lending it your personal weight.

I should like to suggest, therefore, that you not only host the reception but also run the presentation on 24 February. Agree?

Yes
No

There is one other minor point. Sir Derek Rayner's Office have suggested that the Chief Secretary might be invited to preface Mr. Heseltine's presentation, with a few words lasting, perhaps, five minutes designed to set the DOE's contribution in the larger setting of the Government's policies for financial management more generally. I think that this is a good idea. Would you like us to invite the Chief Secretary to speak in this way? Yes No

TEW.

18 January 1982

10 DOWNING STREET

Clive

On reflection, I would be grateful if you could glance at this Priestley stuff.

Apart from the COL point, I have my doubts about the constant references to CEP handling all the staff work. For a PM function in 10 Downing St?....

MT

cc Sir Robert Armstrong
Mr Cassels

Mr RICKETT

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS: PRESENTATION AND RECEPTION ON 24 FEBRUARY

1. I attach four drafts for your consideration. They are generally self-explanatory, but you may find the following comments helpful.

Draft letter to Mr Buckley

2. This invites the CDL to chair the presentation on the PM's behalf. I have read it over to Mr Buckley, who thinks that the CDL will be pleased to receive it. You might like to mention the point to the PM, so that she can also have a confirmatory word with the CDL if she wishes.

Draft letter to Mr Matthews

3. This asks whether the CST would like the opening slot in the presentation. Official Treasury told me last month that the CST "himself would be very happy to show his strong interest in and support for what we are trying to achieve, but feels more diffident about a more technical exposition, which might more naturally come from [officials]".

4. I do not think that this is an occasion for a technical exposition, hence para. 2 of the draft.

Draft letter to Mr Edmonds

5. This does not go into detail about the substance of the presentation beyond noting the PM's wish that control of staff numbers should be covered as well as non-staff costs (para. 2(3)). I propose to deal with the questions of substance and contributions directly with DOE. Subject to your views, I propose to suggest that the DOE contribution should take no more than 45 minutes and, if possible, involve fewer than the 5 officials who took part on 11 November.

Draft letter to Mr Halliday

6. This letter would issue after you had comments from Messrs Buckley, Matthews and Edmonds. The main points on this are whether, given all the circumstances, the draft

(1) is the correct way of inviting Ministers to attend;

(2) uses suitably tactful language; and

(3) is correct on the number of examining officers to be invited.

7. On 6(3), we envisage that each of the departmental examining teams for the Reviews of Resource Control and Running Costs will be more than one strong - probably two each with part- or full-time supporters. If you intend to leave the dining table in the large dining room, as I suppose you do, I think that the numbers should be restricted thus:

(1) Each of the ten participating departments (Minister and Permanent Secretary) plus examining officer from each departmental team (13): 33 (including Treasury and MPO).

(2) DOE contingent (following 11 November precedent): 8

(3) Central teams for the two Reviews: 6

(4) Others (possible):

Chancellor of the Exchequer and Minister of State(C)	2
Joint Heads of the Civil Service	2
Sir Derek Rayner + CP	2
MPO (Mr A W Russell)	1
Official Treasury, possibly	3

(Sir A Rawlinson
Mr Wilding
Mr Pestell)

8. That makes for a total of nearly 60, which I would think ample for the presentation. Whether more people might be invited for the reception - from these current reviews or last year's scrutinies and reviews (some 120 staff in 1981) - is another question. (The PM has given two receptions for examining officers in the 1979 and 1980 programmes but naturally I am not assuming that this is the rule.)

CP

C PRIESTLEY
11 January 1982

Encs: Draft letters to Messrs Buckley, Matthews, Edmonds and Halliday

DRAFT OF 11 JANUARY 1982

J Buckley Esq
Private Secretary to the
Chancellor of the Duchy of Lancaster

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

The Prime Minister has asked me to write on her behalf to invite the Chancellor of the Duchy to take the chair at the intended presentation to be held here on Wednesday 24 February (5.00 pm - 6.30 pm). The Prime Minister herself would afterwards receive the Ministers and officials taking part in and attending the presentation (6.30 pm - 7.30 pm).

2. The purpose and nature of the presentation are outlined in the enclosed copy letter to David Edmonds (DOE). In brief, Mr Heseltine and some of his officials would repeat the presentation they gave the Prime Minister on 11 November last, the audience on this occasion consisting of the Ministers, Permanent Secretaries and examining officers contributing to this year's Reviews of Resource Control and Running Costs.

3. Mrs Thatcher would be grateful if Lady Young would agree to preside, introducing the Chief Secretary (if he wishes to take part, see the enclosed copy letter to Terry Matthews); the Secretary of State for the Environment, who will then introduce his officials; and general discussion afterwards. It would be helpful if I might have an answer by [22] January.

4. I also enclose a draft letter to John Halliday (Home Office), which invites Ministers and their officials to the presentation and reception. Please let me know whether you have any comments on the draft.

5. I am copying this to David Edmonds (DOE), Terry Matthews (HM Treasury), David Wright (CO), Eleanor Goodison (MPO) and Clive Priestley (CO), who is responsible for the staff work for the presentation.

W F S Rickett

Encs: Copy letters to Messrs Edmonds and Matthews (DOE and HM Treasury)
Draft letter to Mr Halliday (HO)

DRAFT OF 11 JANUARY 1982

T F Matthews Esq
Private Secretary to the
Chief Secretary to the Treasury

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

I enclose copy letters to David Edmonds (DOE) and Jim Buckley (MPO) which, together with the draft letter to John Halliday (HO), I think you will find self-explanatory.

2. The purpose of this letter is to ask whether the Chief Secretary would like to lead off the presentation on 24 February with a short scene-setting piece of, say, five minutes. The purpose of this might be to set the contribution from the Department of the Environment in the larger setting of the Government's policies for financial management more generally. I would see it as reasonably precise as to policies and their aims, but not needing to be at all technical.

3. The view here is that if the opportunity fits well with developments on the financial management front, the Chief Secretary might find it helpful to take it, but that if it does not the Chief Secretary need not feel bound to do so.

4. Clive Priestley in Sir Derek Rayner's office is doing the staff work on the presentation and, unless you are able to give an answer at once, perhaps the best course would be for him to discuss this with you and DOE, so that a view can be taken in the light of what is intended by DOE. If so, will you please contact him direct? Either way, I should be grateful to know the outcome by [22] January, together with

any comments you might have on the draft letter to John Halliday.

5. I am copying this to David Edmonds, Jim Buckley and Clive Priestley.

W F S Rickett

Encs: Copy letters to Messrs Edmonds and Buckley
Draft letter to Mr Halliday, Home Office

DRAFT OF 11 JANUARY 1982

D A Edmonds Esq
Private Secretary to the
Secretary of State for the Environment

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

As you know, the Prime Minister has decided to follow up the presentation your Secretary of State and his officials gave her on 11 November. The purpose of this letter is accordingly to invite your Secretary of State on her behalf to make a similar presentation to other Ministers and their officials here on the evening of Wednesday 24 February. (Clive Priestley has already been in touch with George Moseley about this and the event was foreshadowed in Clive Whitmore's letter to private secretaries of 15 December about this year's scrutiny programme.)

2. The arrangements proposed are as follows:

(1) The presentation should begin at 5 pm in the large dining room; should allow time for questions and discussion; and end at 6.30 pm.

(2) The presentation would be chaired by [the Chancellor of the Duchy of Lancaster] on behalf of the Prime Minister and, if the Chief Secretary wishes to use it, may include a slot for him to speak briefly about relevant Treasury policies.

(3) The presentation is for the Ministers, Permanent Secretaries and examining officers taking part in this year's Government-wide reviews of self-contained executive operations ("resource control" reviews) and of the control of running costs. Sir Derek Rayner, Mr Cassels and the central teams for the two reviews will also be present.

(4) The purpose of the presentation as noted in the Prime Minister's letter to your Secretary of State of 13 November, is to help departments along the road towards a proper financial information and cost control system. That explains the choice of location. As you know, the Prime Minister hopes that the MINIS and Joubert systems for controlling staff and non-staff running costs can be applied more widely in Whitehall, but as they cannot be imposed on departments the better approach is to encourage departments to come forward with their own proposals for improvement. The invitation to your Secretary of State is accordingly to stimulate discussion by explaining his own approach, in relation to staff numbers as well as other expenditures.

(5) At 6.30 pm, Ministers and officials move to the Pillared Room, where the Prime Minister will receive them. The reception will last about an hour, until 7.30 pm.

3. I should be glad to have your confirmation that your Secretary of State can undertake the presentation. Clive Priestley, who is dealing with the staff work, will be in touch with you separately about the detailed arrangements, including the structure of the presentation but I should say now that the Prime Minister would be grateful if Mr Joubert could play some part in it.

4. I enclose copies of letter to Terry Matthews (Treasury) and Jim Buckley (MPO) which are self-explanatory. I also enclose a draft of the letter which I propose to send to Departments about the presentation; this should issue fairly soon now, so I should be glad to know by [22] January at the latest whether you have any comments on it.

5. I am copying this to Terry Matthews, Jim Buckley, Clive Priestley (Cabinet Office) and Eleanor Goodison (MPO).

W F S Rickett

Encs: Copy letters to Messrs Matthews and Buckley
Draft letter to Departments

DRAFT OF 11 JANUARY 1982

J F Halliday Esq
Private Secretary to the
Secretary of State for the Home Department

CONTROL OF STAFF AND NON-STAFF RUNNING COSTS

Clive Whitmore's letter of 15 December to Private Secretaries on the Efficiency Strategy for 1982 indicated that there would be a presentation at 10 Downing Street on Wednesday 24 February (5.00 pm - 6 30 pm) for Ministers, Permanent Secretaries and examining officers taking part in this year's Resource Control Reviews and the Review of Running Costs, followed by a reception given by the Prime Minister (6.30 pm - 7.30 pm).

2. The purpose of this letter is to invite the Home Secretary and the other Ministers taking part in these reviews to attend the presentation, for which formal invitations will be issued shortly, together with their Permanent Secretaries and examining officers; and to explain the nature and aim of the presentation.

3. The presentation will be held in the large dining room and will be chaired on the Prime Minister's behalf by [the Chancellor of the Duchy of Lancaster].

4. The aim of the presentation is to help Ministers and their departments in their reviews of their systems for controlling staff and other costs by offering an opportunity to hear of the experience of one department (the Department of the Environment) and to discuss the issues which arise in this area.

5. The Chief Secretary has been invited to set the scene with a brief comment on relevant Treasury policies. The Secretary of State for the Environment and some of his officials will then outline the methods used by them to control staff and non-staff running costs, this being one example of the various approaches in use across Whitehall. These observations will take about 45 minutes, after which there will be time for questions to and answers from the Department and for general discussion.

6. At 6 30 pm, Ministers and officials would move to the Pillared Room, where the Prime Minister will receive them.

7. I should be grateful if you, and the Private Secretaries to whom I am copying this (list below), would kindly let me know by [29] January the names of those who will be attending. Given the pressure on space, I suggest that the representation of each department should be no more than three, namely the Minister, the Permanent Secretary and the leading examining officer responsible for the Review of Resource Control or Running Costs as the case may be.

8. Copies go to those listed below.

W F S Rickett

Circulation

B Fall ~~G G H Walden~~ Esq , FCO

J O Kerr Esq, T F Matthews Esq, A A Carter Esq, and J G Colman Esq, HM Treasury

D Omand Esq, MOD

Mrs Wade ~~P A Shaw~~, DES?

D A Edmonds Esq, DOE

J B Shaw ~~R Dykes~~ Esq, DE

J Rhodes ~~J N Rees~~ Esq, DOT

J D West Esq, DEn

R A J Mayer Esq DTp

J Buckley Esq and Miss E Goodison, MPO

D J Wright Esq and C Priestley Esq, CO

Civil Service.

CF to note. I have spoken to Adrian Carter and explained the importance we attached to a paper in the autumn. I have told him that the end of January is an acceptable deadline.

WR 30/12

H M Treasury, Old Admiralty Building, Whitehall, London SW1A 2AZ

William Rickett Esq
Office of the Prime Minister
10 Downing Street
LONDON SW1

Received

23 December 1981

Dear Willie,

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

We have been approached by the duty clerks several times in recent weeks about the submission to the Prime Minister of the results of this year's running costs exercise, which was commissioned by Mr Hayhoe's minute of 13 May to the Home Secretary and other Ministers in charge of Departments. It may be helpful to set out for you how we stand.

When Mr Hayhoe wrote he asked for replies by 18 September with a view to a report to colleagues in the Autumn. Departmental returns were late, and even now some have not been received despite several reminders. Treasury officials who have to prepare the report are now heavily engaged in the 1982-83 Estimates and other urgent work, and we shall want to consult Sir Derek Rayner and MPO officials about what the latest round shows by way of progress and how future rounds can best fit in with the general thrust towards better financial management.

All this means, I am afraid, that the exercise will take longer than originally envisaged. Nevertheless, we shall do all we can to enable a Treasury Minister to put forward a submission by the end of January.

Yours sincerely,

Adrian Carter

A A CARTER
Private Secretary

Mr Whitmore
You will wish to be aware of this
WR
3/12

Mr Rickett:
Thank you.
3/12

Mr RICKETT

Civil Service

CONTROL OF RUNNING COSTS: MEETING IN NO 10

1. Thank you for your minute of Monday and its attachment.

2. I have written to the Permanent Secretary of DOE and you may like to have the attached copy of my letter for your file.

3. As soon as I have word on the date I will let you have a draft letter to send to Mr Heseltine's private secretary commissioning the new presentation. I assume that that is what the courtesies demand. We hope to put up a draft of the general letter from Mr Whitmore next week.

CP

C PRIESTLEY
2 December 1981

Enc: Copy letter to Mr Moseley

CABINET OFFICE

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

2 December 1981

G W Moseley Esq CB
Department of the Environment

Dear George,

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

John Cassels sent you a copy of his minute to Willie Rickett of 26 November and you will want to know that the Prime Minister has indicated that she would like the arrangements to be as follows:

(1) There should be a presentation at 10 Downing Street on Wednesday 24 February, in the evening, followed by a reception.

(2) Your Secretary of State and his officials should be invited to give a presentation somewhat as before, but the Prime Minister would be grateful if it could be more detailed on how your Department deals with staff numbers as well as with other expenditures.

(3) The presentation should be given for the Ministers, Permanent Secretaries and examining officers taking part in next year's Service-wide reviews of self-contained executive units ("resource control" reviews) and of the control of running costs. The Chancellor of the Duchy of Lancaster, a Treasury Minister, a few of their senior officials, the central teams for the two reviews and Derek Rayner would also be present.

(4) The presentation should begin at 5 pm in the large dining room (as before); should allow for questions and discussion; and end at 6 30 pm.

(5) At 6 30 pm, Ministers and officials would move to the Pillared Room, where the Prime Minister would receive them. The reception would last about an hour, until 7 30 pm.

2. There will be a general trailer for this event in Clive Whitmore's impending letter to Private Secretaries on next year's scrutiny programme and a letter to your Secretary of State's office inviting him to do a re-run as outlined above, but I should be grateful if Sarah Thomson would let me know straightaway whether the date suits Mr Heseltine. I very much hope that it will as the timing is right for the reviews and it may be hard to find another date about then which would suit the Prime Minister.

3. I am copying this to Robert Armstrong, Douglas Wass and John Cassels.

Yours ever,

Chris Priestley

C PRIESTLEY

c. Mr. Taylor
Miss Stephens

PRIME MINISTER

You will remember the presentation on control of running costs given by Michael Heseltine on 11 November. After the presentation, you said that you would like to hold a meeting to impress on the Ministers and Permanent Secretaries of other Departments the importance of this sort of work. I have discussed this with Sir Derek Rayner's office.

As part of next year's efficiency strategy, there are two particular initiatives on cost and resource control:

- A programme of co-ordinated reviews on the control of running costs in the Departments of Energy, Education, Employment, Trade, Transport, and in the Foreign Office.

- A similar set of reviews on resource control in large executive units such as the prison service, the Royal Mint, and the Coast Guard Service. The Departments likely to be involved are Defence, Home Office, Trade, Treasury, and Environment.

Sir Derek Rayner's office suggest that you should hold a meeting for all the Departments involved in these reviews, as well as the relevant teams from the central departments.

On the form the occasion might take, I suggest:

(a) that Michael Heseltine and his office should give the Departments concerned a presentation in the large Dining Room like the one they gave you; this would start at 1700 and would last about 90 minutes;

(b) when the presentation ended at 1830, the Ministers and officials involved would move to the Pillard Room, where you would receive them and give them a drink. This reception would last about an hour, until about 1930;

/(c)

(c) the teams from the nine Departments involved should consist of a Minister, a Permanent Secretary, and the officers conducting the reviews. A Treasury Minister, the Chancellor of the Duchy, and Sir Derek Rayner should also be invited. With the official teams from the Central Departments, the total number of guests would be about 40.

On timing, I suggest that an afternoon in February would be best. By this time the teams for the various reviews will have been assembled, and they will just be considering how to go about their work. A meeting here then would give the reviews a good send off; and it need only take up about an hour of your time.

Agree that we should plan on this basis?

CDSR

Yes - perhaps the presentation could be more detailed on how DOE deals with staff numbers as well as other expenses.

MT.

27 November, 1981.

Mr RICKETT

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

Thank you for your minute of 13 November. I very much welcome the idea of a meeting to emphasise the importance of improving cost control systems which will, incidentally, help to boost the "efficiency strategy" for next year (see below).

ATTENDANCE

2. The Ministers and Permanent Secretaries for the departments taking part in the co-ordinated reviews of the control of running costs (which is part of next year's efficiency strategy) should be the main beneficiaries, given their interest in making progress in this area. The departments we have in mind for this include Education, Employment, Energy, FCO, Trade and Transport.

3. I am very glad that you suggest including the examining officers in the departmental reviews. The officials forming the small central teams for those reviews should also attend, I suggest. The list can be worked out in full nearer the time, but we can already see that it is likely to include 6 or 7 Ministers, their Permanent Secretaries and examining officers and a central team of 3 or 4, making a total audience (including a Treasury Minister, the Chancellor of the Duchy, Sir Derek Rayner and me) of about 30.

4. You may well think that that is quite enough. If you were to consider making maximum use of the occasion, however, other potential participants are the Ministers who will be commissioning reviews of substantial executive units ("resource control reviews"), also as part of next year's strategy: one of the principal aims of the executive unit reviews will be to come up with a sound management regime for them, probably treating them as cost centres. The departments are likely to be Defence, Home, Trade, Treasury (Royal Mint) and Environment itself. That would add three Ministers, their Permanent Secretaries and examining officers and the central team, a total of about 12.

TIMING

5. Next February is a good time. Planning the running costs review will be nearly finished and departments will be considering how the work should actually be done on the ground. Two or three of the executive unit reviews will have begun looking at how resources are consumed (probably in the Prison Service, the PSA District Works Offices and the Coastguard Service) but examining officers will still have to firm up their ideas on an appropriate financial management regime.

FORMAT

6. I would favour some form of presentation by the Department of the Environment covering both MINIS and its approach to the control of staff and non-staff Departmental running costs, which I understand it would be glad to give. The purpose would be to show the arrangements that DOE is developing to provide Ministers and their senior officials with the necessary information to reach judgements on the best possible use of resources and to improve its budgeting, monitoring and control of administrative expenditure, including the cost centre approach. Naturally it would not be presented as the one and only system possible. The presentation and discussion together should take no more than 90 minutes.

7. I think it very important that the Prime Minister should give the occasion her blessing in some way; that the Chancellor of the Duchy of Lancaster, a Treasury Minister and Sir Derek Rayner should attend; and that there should be a good opportunity for discussion, not least because DOE would not want to give the impression that it was a one-Department show.

8. To mark the Prime Minister's interest, I would hope that the presentation could be given in 10 Downing Street; that she might come in towards the end; and that she might circulate afterwards in "reception" style. I myself would not think it necessary to provide food as well as drink. This feature of

the occasion depends somewhat on the time of day (I myself would favour late afternoon) and, I imagine, on whether the Prime Minister would have it in mind to receive on another occasion, as before, Ministers and officials concerned with this year's scrutinies and Government-wide reviews.

NEXT STEPS

9. As you know, the Chancellor of the Duchy has just minuted to her Ministerial colleagues on the efficiency strategy for 1982. In addition to the reviews of running costs and executive units mentioned above, the strategy includes a new round of departmental scrutinies and a Government-wide review of personnel work. The Chancellor should receive replies by 27 November. One of the next steps after that will be for Mr Whitmore to write to Private Secretaries inviting candidates for the departmental scrutiny programme. It might be sensible to include a trailer for the presentation in Mr Whitmore's letter ("to encourage the others") and to follow-up by making the detailed arrangements as soon after as possible. We shall be offering a draft shortly.

10. Depending on the Prime Minister's decision, you and we can then settle what should be done to give effect to her wishes.

11. I am copying this to Sir Robert Armstrong, Sir Douglas Wass, Mr Moseley and Mr Priestley, who would be responsible for the arrangements.

J S Cassels

J S CASSELS
26 November 1981

SUBJECT

File

cc: CO
DOE
~~master~~
Civ Service

10 DOWNING STREET

From the Private Secretary

13 November 1981

MR. CASSELS

CONTROL OF STAFF AND NON-STAFF DEPARTMENTAL RUNNING COSTS

Mr. Heseltine and his officials gave a presentation to the Prime Minister on the control of running costs in his Department at 1100 on Wednesday 11 November, at which you were present. I do not intend to record the presentation itself. The Prime Minister found it very useful, and has written to thank Mr. Heseltine (attached).

In the discussion at the end of the presentation, the Prime Minister said that she hoped that the MINIS and Joubert systems for controlling staff and non-staff running costs could be applied more widely in Whitehall. She felt strongly that these systems could not be imposed on other Departments; that would only provoke resistance to the changes that were needed. She considered that the best approach would be to encourage Departments to come forward with their own proposals for improving their management information and cost control systems. She noted that the Department of Industry and MAFF already had consultants examining their financial control systems, and that six or seven other Departments were being invited to carry out their own internal reviews as part of the efficiency strategy for 1982. The Prime Minister said she would like to hold a meeting to impress on the Ministers and Permanent Secretaries in these Departments the importance of this work.

The Prime Minister would welcome the advice of the Management and Personnel Office on how this meeting should be organised. Two options which she raised were:

- a round-the-table discussion with food and drink, in the evening or at lunch-time, at which the Departments concerned would outline the sort of approach to improving their systems that they have in mind, or perhaps

- a reception following a presentation to be given to the Departments concerned by the Department of the Environment (the Prime Minister would not necessarily attend the presentation, which could be held in the Management and Personnel Office).

These are just two of the many possibilities. Whatever you decide, I would suggest that the officials who will be carrying out the Departmental reviews at working level should be included.

/ I understand

I understand that this meeting would probably best be held in February, but I look forward to your advice in due course.

I am copying this minute to David Wright (Cabinet Office), and Sarah Thompson (Department of the Environment).

W. F. S. RICKETT

13 November 1981

10 DOWNING STREET

THE PRIME MINISTER

13 November 1981

Dear Michael

I would just like to thank you, and George Moseley, and all the officials who took part in the presentation on Wednesday. It was fascinating and informative.

It is vital that every Government Department has in place a proper financial information and cost control system, and I congratulate you and your officials for tackling this very important problem in such a determined way. I hope other Departments will follow in your footsteps. I will do all I can to help them down that road.

Yours ever

Margaret

The Rt. Hon. Michael Heseltine, M.P.

file

VB

cf.

10 DOWNING STREET

THE PRIME MINISTER

13 November 1981

Dear Michael,

I would just like to thank you, and George Moseley, and all the officials who took part in the presentation on Wednesday. It was fascinating and informative.

It is vital that every Government Department has in place a proper financial information and cost control system, and I congratulate you and your officials for tackling this very important problem in such a determined way. I hope other Departments will follow in your footsteps. I will do all I can to help them down that road.

Yours ever

Margaret

The Rt. Hon. Michael Heseltine, M.P.

ds

PRIME MINISTER

In June you decided it would be useful to have two presentations on financial management. The first was on the role of the central Departments, and was held in September.

The second is on one Department's systems for controlling running costs. This is to be given by the Department of the Environment tomorrow at 1100.

I suggest the presentation should be held in the large Dining Room, like the last one. Mr. Heseltine himself will give the presentation, bringing officials into the discussion as necessary.

A brief by David Allen from Sir Derek Rayner's Office is attached, and a note from the Department of the Environment on what the presentation will cover is opposite.

I might mention that David Allen leaves Sir Derek Rayner's Office at the end of this month. He was formerly an economic adviser in the Treasury and will return there after a period of unpaid leave. His main work in Sir Derek's Office has been on the scrutiny of Departmental running costs. He will be at the presentation tomorrow, and you may wish to wish him well in his new post if there is an opportunity to do so.

Willie Rickett

10 November 1981

PR. m

RESENTATION TO THE PRIME MINISTER BY THE DEPARTMENT OF THE ENVIRONMENT
THE CONTROL OF DEPARTMENTAL RUNNING COSTS

Programme

Time: 11 November 1981
11.00 am - 12.00 am

Place: Large Dining Room
No.10 Downing Street

Those Present

Prime Minister

Mr J S Cassels
Treasury representative
CSD representative

Secretary of State for the Environment

Mr G W Moseley	Permanent Secretary
Mr K F J Ennals	Principal Establishments Officer
Mr G H Chipperfield	Head of Central Policy and Research Directorate
Mr D T Routh	Ex Regional Director West and East Midlands
Mr J Coates	Director London Region PSA
Miss S Booth	Implementation Officer for Joubert Study
Mr H Derwent	Rayner Study Officer

The Secretary of State for the Environment will introduce and conduct the presentation. Members of the team will speak on their areas of responsibility.

The presentation will cover:

- The Department: manpower and running costs
- Control of staff costs: MINIS
  manpower budgetting
- Control of running costs: what the annual scrutiny shows
  past methods of control
- Current initiatives to reduce running costs
- The Joubert proposals: what the system will achieve
  implementation
  timetable
  implications for staff and management

Prime Minister

MR RICKETT

DEPARTMENTAL RUNNING COSTS: PRESENTATION TO THE PRIME MINISTER AT 11.00 AM, WEDNESDAY 11 NOVEMBER AT 10 DOWNING STREET

Those Present -

1. The Secretary of State will head up a DOE team consisting of -

Mr G W Moseley (Permanent Secretary)

Mr K F J Ennals (Principal Establishment Officer)

Mr G H Chipperfield (Principal Finance Officer)

Mr D T Routh (Formerley Regional Director of West Midlands and East Midlands; now in HQ)

Miss S Booth (Principal, heading up team charged with implementing Joubert scrutiny recommendations)

Mr H C S Derwent (HEO(A), who assisted Mr Joubert in the scrutiny of estimation, monitoring and control)

Mr J R Coates (Director of PSA London Region)

2. Mr J S Cassels and I will attend from Sir Derek Rayner's office (Sir Derek Rayner is abroad on M & S business). There will also be one representative from each of the Treasury and CSD (names to be confirmed)

Origins and Purpose

3. The Prime Minister invited the Secretary of State to give a presentation on the methods used to control running costs following the first annual scrutiny of running costs and the subsequent report to Cabinet. (This year's annual scrutiny has just completed and a report will go to Cabinet at the end of this month.) The presentation has had to be postponed twice owing to pressure of other business - it was first scheduled to take place on 16 September.

4. The presentation is intended for information only. It is an opportunity for the Prime Minister to be informed of and to ask questions about the efforts of one department to improve its control over staff and other administrative expenditure and, if she likes what she hears, to endorse those efforts.

Top 10 have – [illegible] importance

Built-in inflation factor.

Hansard – distribute prior to opening.

Shape of Presentation

5. Approximately 30 of the 60 minutes allowed for the presentation will be taken up by the presenters, with the remainder available for questions.

6. The Secretary of State intends to start off the presentation and bring in his officials as he goes along, to expand and develop the various subject headings. He also intends that questions should be taken as they arise rather than at the end.

7. The general theme will be how the department budgets, monitors and controls running costs. The emphasis will be on the improvements that have been and are being made, rather than on the sins of the post, with particular emphasis on the findings, recommendations and implementation of the "cost centre" report by Mr C J P Joubert, an Economic Adviser in DOE, who is at present abroad.

8. DOE will be sending over early next week an agenda of topics to be covered. These are likely to include -

- Ministerial information needs
- Annual scrutiny of running costs
- MINIS and manpower control generally
- Ad hoc initiatives (eg reductions in accommodation)
- Joubert findings
- Joubert recommendations
- Joubert implementation
- Management needs of a line manager and how Joubert will help

9. I annex a short background note on the two main initiatives of the Secretary of State in this area (MINIS and "Joubert") and on how Sir Derek Rayner is planning to achieve "read across" to other departments.

Some Questions

10. The Prime Minister may wish to defer questions until after the speakers have finished. She might find it particularly helpful to draw into the discussion of the Joubert proposals the two junior officials

closest to the subject: Mr Derwent (who helped carry out the scrutiny) and Miss Booth (leading implementation of it).

11. On "Joubert", the Prime Minister may wish to satisfy herself in particular that establishing the cost centres and the management information system will achieve a real and lasting change in attitudes and practices. In particular -

- Will budgets be made sufficiently taut at the outset to leave no doubt in the minds of cost centre managers that there is no "easy money"? [Note the Joubert scrutiny found substantial over-estimating (leading to plenty of financial slack) and the ready availability of contingency reserves to meet the needs of those over-spending]

- Will cost centre managers and their superiors be suitably trained in management, for example to understand management accounts?

- Will managers be rewarded and penalised according to success or failure in their management role?

- Will cost centre managers get the necessary flexibility in budgetting to give the maximum incentive to deploy resources to the best advantage?

12. The Prime Minister may wish to satisfy herself also that there is the maximum possible delegation of financial responsibility over these resources which line managers are best able to determine. This should cover staff as well as non-staff costs. Although Joubert started off looking at non-staff expenditure, he recommended that the cost centre approach should apply equally to expenditure on staff. They are a substantial cost (60 per cent of total running costs) and the departmental scrutinies of particular activities have shown that there is very often inefficient use of staff (eg through excessive hierarchy) or from deployment of staff (eg too many in some parts of the work and too few in others).

These are issues which the line manager is very often in the best position to observe and to do something about. Also much non-staff expenditure is related to staff and it is difficult to adjust one without the other.

13. More generally the Prime Minister will wish to satisfy herself as to the enthusiasm and determination of officials to make MINIS and Joubert work, to manage administrative expenditure better and to eliminate the "candle ends" mentality that often attaches to this area.

Defensive Briefing

14. I would advise against launching any more initiatives in this area. There is already a lot going on or about to be launched next year. For example -

1. Rayner reviews of running costs (6 or 7 departments) and resource control reviews (5 departments)

2. Financial Management Co-ordination Group working up advice, to be centrally promulgated to departments, on what are the essential elements of a good management information system and the criteria to be applied in seeking to improve management accounting.

3. Civil Service Department working party, reporting to the Financial Management Co-ordination Group, examining performance indicators for use centrally and in departments.

4. Department of Industry and Ministry of Agriculture have consultants examining their systems of financial control; and the DHSS about to bring in consultants.

15. I would advise against any attempt to impose upon departments either MINIS or the Joubert solution. Departments are different organisationally (eg HQ versus local office) and Ministerially (interested, less interested);

some have already done quite a lot, others not much. Systems will only work if they meet the particular needs of the organisation and are seen to be relevant. The important thing is that there is an active programme of reform, taking each case on its merits. Examples of such an active programme are set out in para 19 above.

16. I would advise that the best use of consultants is exemplified in the Joubert review. Apart from the great expense of consultants employed full-time (much of which is incurred adjusting to and mastering the peculiarities of government) both MINIS and Joubert have shown that, given the right stimulas and leadership, civil servants are well capable of undertaking such work and coming up with reforming recommendations. This is not to rule out associating consultants with such work but their rôle should be supportive.

17. I would advise against accelerating the planned timetable for implementation of"Joubert". The consultants (Peat Marwick, Mitchell) estimate that the system should be ready to run by the end of next year. This is not an unreasonable timetable. There is a lot of ground work involved in assembling the management information data base, defining the cost centres, defining the delegated responsibilities etc. Trial runs will also be needed. It is important that the system is got right to avoid it being discredited. It represents a radical departure in civil service management and those who are sceptical of the approach will be looking for the stumble.

Possible Outcome of Presentation

18. Subject to points of detail emerging from the discussion and the Prime Minister being satisfied as to the rigour of the DOE's arrangements, the Prime Minister might conclude the meeting by -

1. Thanking the participants for their contributions.

2. Applauding the initiatives taken to date and the quality of the work done by officials in support of the Secretary of State.

3. Endorsing the "Joubert" approach, (ie greater delegation of financial responsibility) and encouraging the maximum delegation possible.

4. Welcoming the fact that Joubert-type scrutinies are to be undertaken next year in a further 6 or 7 departments, complementing the other initiatives being taken in this area.

5. Encouraging the DOE to press on towards establishing cost centres as quickly as possible (but not prematurely) and to ensure that the ground is well laid to receive the new system.

DRA.

D R ALLEN

6 November 1981

ANNEX

Some Background

1. The two big initiatives of the Secretary of State are - the establishment of MINIS; and the Joubert Scrutiny.

2. MINIS (Ministerial Information System) originated in a Rayner project in 1979 and has been operational since March 1980. Two rounds have been completed. It is directed mainly at the control of manpower. When the cost information on each Directorate (Under-Secretary command) is assembled, it is used as the basis of meetings between the Secretary of State and the officials concerned, to question manpower needs in relation to objectives.

3. The Joubert scrutiny was set in train in response to the Secretary of State's concern, following sight of the results of the first annual scrutiny of running costs, that non-staff costs were out of control. (The team leader was Mr Joubert; he was assisted by Mr Henry Derwent who will be present; and Peat, Marwick Mitchell were consulted).

4. Joubert concluded that there was a generally "easy" atmosphere surrounding the management of administrative expenditure with easy money, inadequate monitoring and a general attitude of "no need to bother". Apart from some instant first aid, he recommended a radical change of approach. In particular - greater delegation of financial responsibility to the people who make bids for expenditure and who consume the resources, through the establishment of local cost centres; a computerised management information system in support of the cost centre managers; and a rolling programme (on a three year cycle) of cost reviews undertaken by a small team from the Finance Division and MINIS unit.

5. Sir Derek Rayner strongly endorsed the Joubert proposals; the Secretary of State has accepted the recommended approach; and an implementation team has been established to work up the details and convert the recommendations into a reality. Peat, Morwick, Mitchell are advising the implementation team.

6. A summary of the Joubert scrutiny's findings and recommendations has been circulated to all departments; and all departmental Principal Establishment Officers have received a "presentation". A copy of the summary is at Flag A.

7. In an effort to "read across" Joubert to other Departments, the Chancellor of the Duchy of Lancaster and Sir Derek Rayner are inviting 6 or 7 departments to review their methods of budgeting, monitoring and control as a contribution to next year's Efficiency Programme. The reviews will be co-ordinated by a central team. The reviews will examine the scope for greater delegation of financial responsibility and the management information requirements (following more or less the same terms of reference as Joubert) but will recognise that departments are different and that there is no unique solution to these problems. (The relevant extract from The Efficiency Programme documents, shortly to be circulated to Ministers, is at Flag B).

8. In addition the Chancellor of the Duchy of Lancaster and Sir Derek Rayner are inviting a further 5 or so departments to undertake "resource control" reviews of self-contained executive units, (eg Prisons, PSA works, coastguard service). They will be investigating those types of activity where running costs dominate the total cost of the operation. Their objective will be to examine the scope for savings and the methods of management, to engender greater cost consciousness. As with the running cost reviews there will be a central co-ordinating team. (The relevant extract from The Efficiency Programme document, shortly to be circulated to Ministers, is at Flag C.)

RUNNING COSTS IN THE DEPARTMENT OF THE ENVIRONMENT (CENTRAL)

Note by the Department of the Environment

Introduction

1. In light of the preliminary (1980) round of the annual scrutiny of Departmental running costs, the Secretary of State for the Environment proposed to Sir Derek Rayner that the 1981 Rayner Scrutiny programme should include a study of the methods used for estimating, monitoring, and controlling non-staff running costs in DOE (Central) and of the scope for developing an organizational structure based on responsibility units, or cost centres, the heads of which would be responsible for controlling their expenditure. His proposal was accepted and the study was carried out between January and June 1981 by Mr C J P Joubert with the assistance of Mr H C S Derwent. ~~(The full terms of reference of the study are at Annex A below.)~~

2. The report of the study was submitted to the Secretary of State and to Sir Derek Rayner on 18 June 1981 and copies were also sent to the Departmental Trade Union Side. It has been considered by senior management in the Department and the main recommendations of the report have been discussed with a representative sample of potential cost-centre managers. The Secretary of State for the Environment has now decided to implement the report, though it is recognised that the timetable for implementation proposed in the report may not be practicable.

3. It has been suggested that the report may be of interest to other Departments. Accordingly, the present note seeks:-

(a) to place the report in its context, since it was addressed solely to DOE(C) and its authors assumed in their readers a familiarity with the basic organisation and functions of DOE(C);

(b) to provide a brief summary of the report and of its recommendations; and

(c) to draw attention to the main general issues which the report appears to raise.

Although this note is being distributed on the PESC(D) circulation, recipients are asked to bear in mind that the report is not primarily concerned with computerisation or with computerised information

systems, but rather with departmental organisation and the responsibilities of managers within departments, and that it may be of more particular interest to others within their departments. (Copies of the report have already been circulated to the Principal Establishment Officers of certain major departments.)

4. The report itself is lengthy: the main text in Volume I comprises 140 pages and the annexes in Volume II a further 103 pages. Copies of the full report are accordingly only being circulated to a limited number of recipients of PESC(D) papers; if any other recipients wish to see a copy, they should contact Mr C Joubert (212-4148) who has a limited supply of further copies.

The context

5. DOE (Central) is primarily a "policy" department. It has four significant blocks of "executive" work, viz (i) the management and maintenance of Royal Parks and Palaces, (ii) the management and maintenance of Ancient Monuments in the guardianship of the Department, (iii) the audit (by the District Audit Service) of the accounts of local authorities, and (iv) the determination of appeals under the Town and Country Planning Act 1971 (and of certain other matters arising under that and other legislation). The Department also has two research establishments, viz (v) the Building Research Establishment and (vi) the Hydraulics Research Station (which is to be transferred to the private sector). But items (i)-(vi) amount to less than 45% of the Department's total manpower. The remaining responsibilities of the Department, including water, sewerage, inland navigation, local government, inner cities and the urban programme, development planning, regional policy, land use planning, new towns, rate support grant and local government finance, historic buildings and urban conservation, environmental pollution, land wastes and refuse disposal, radioactive waste, sponsorship of the construction industry, building regulations, sport and recreation, the countryside and rural conservation, and housing are, with the associated central and professional support services, carried out by some 25 HQ Under Secretary commands (located in London and Bristol) and by 9 Regional Offices. Not all the HQ commands work through the Regional Offices, but the latter are responsible for implementing policies sponsored by a good many HQ commands. The HQ commands have tended to be subject to regular reorganisation.

6. DOE(C) operates on a "common service" basis jointly with DTp and PSA in respect of senior staff management, computing, management services, training, and legal services, and on a "common service" basis with DTp in respect of personnel management, accommodation and office services, and accounts. The divisions concerned have treble or dual reporting lines to the Permanent Secretaries of DOE(C), DTp, and PSA. PSA handle the payroll for DOE(C) (and for DTp) and also bill paying in relation to Royal Parks, Palaces, and Ancient Monuments. "Finance Branch" functions are, however, carried out separately in each department.

7. The DOE Accounts Branch (which is not yet computerised) handles not only payments in respect of (non-staff) running costs in DOE(C) but also payments of grants (other than rate support grant and housing subsidies) and loans to local authorities, nationalised industries, water authorities, ports, environmental bodies, and owners of historic buildings, on behalf of DOE(C) and DTp and receipts in respect of LA audits, enforcement appeals, admission charges and sales of

souvenirs, etc, at ancient monuments and Royal Palaces, and the various licensing and testing activities of DTp (other than those handled by the Driver and Vehicle Licensing Centre Swansea). The Branch is shortly to move (temporarily) to Stanmore while urgent structural repairs are carried out to its present accommodation in Hemel Hempstead.

The Joubert Report

8. The Joubert report was concerned with non-staff running costs (as defined for the purposes of the annual scrutiny of departmental running costs) in DOE (Central). These costs do not equate to the non-staff element of the DOE Central Administration Vote (Section C of Vote VIII,5) because certain major items, viz accommodation, rates, and paid publicity, are carried on other Votes and because that Vote also includes the DTp and PSA elements of common service expenditure as well as some "programme" expenditure. The report found that the methods used for estimating expenditure carried on the Vote were inadequate, in that on many ledgerheads outturn had regularly fallen short of the Estimates provision, that excessive allowances were being made for contingencies, and that the heads of divisions and other managers with substantive responsibilities for expenditure tended not to be involved in the estimating process. It also found weaknesses in monitoring and control which reflected (or resulted from) these weaknesses in estimating, the division of the Vote into an excessive number of separately managed ledger accounts, the absence of systematic arrangements for comparing outturns with Estimates profiles, the division of responsibility for the Vote between "Establishments" (estimating, allocation, and monitoring) and "Finance" (DOE Administration PES overall and propriety and regularity), and a general attitude towards cost control and value for money which was in some respects lax.

9. For the immediate term, the report, while noting some recent improvements, recommended a more rigorous approach to estimating, the grouping of ledger accounts to form an interim divisional budget system in which heads of division and Under Secretaries should participate, the disallowance of contingency* bids by spending divisions and the retention of contingency provisions centrally, the monitoring of expenditure (except for certain small ledger accounts) against profile, and a transfer of responsibility for estimating, allocation, and monitoring of DOE non-staff running costs from Establishments to the Finance Division which is already responsible for questions of propriety and regularity on the Administration Vote. These recommendations are in the course of being implemented,

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* It is not permissible in Supply Estimates to allow for contingencies in the sense of providing for expenditure which is not at present expected to be incurred but which it might be convenient to incur if occasion arose. The term is used here (and in the Joubert report) in a slightly different sense, ie an allowance for expenditure which will have to be incurred but the precise occasion for or amount of which cannot be foreseen. Thus, the provision for salaries in an Administration Vote will normally contain no contingency element (since the numbers and grades of staff in a Department can be foreseen, barring changes of policy) whilst the provision for "claims for loss or damage caused by Departmental negligence or maladministration" will entirely represent a contingency allowance, notwithstanding that experience shows that some claims will have to be entertained each year.

though (in keeping with the responsibilities of the Principal Establishment Officer as set out in the recent Treasury/CSD memorandum) the Finance Division concerned will have a reporting line to the DOE(C) PEO as well as to the PFO. They have to a considerable extent been supplemented by the advent of cash planning in the Public Expenditure Survey, since this has already removed a major weakness exposed by the report, namely lax estimating, which largely reflected overgenerous revaluation factors allowed by the central departments.

10. For the longer term, the report recommends the division of DOE(C) into some 120* local cost-centres, reflecting the diverse functions of the Department, each of which would typically contain some 20-30 administrative, professional, or executive staff. Each cost-centre would prepare an annual budget which would cover both staff costs and non-staff running costs. There would be a computerised management information system to tell managers at all levels how expenditure was going against plan and a central budget unit to oversee the system and to conduct systematic reviews (on a three yearly cycle covering the whole Department) of cost-centre budgets. ~~The longer term recommendations of the report are set out in full in annex B to this paper as they may be of particular interest to members of PESG(D).~~

11. The longer term recommendations are said to be based on private sector practice and the report acknowledges that they imply major changes in ways of thinking traditional in the Department. The essence of the recommendations lies in the proposed shift of responsibility from the centre (ie from the various divisions, primarily in 'Establishments', who now control running costs) to the line managers of the cost centres whose decisions cause costs to be incurred. As indicated in paragraph 5 above, DOE(C) is primarily an "HQ" organization and the concept of budgeting for administrative expenditure (as opposed to programme expenditure controlled by HQ divisions) is not well established in the Department, except for certain items. (A system of divisional budgeting for Travel and Subsistence, which now also covers conference fees, has successfully been in operation for some years now.) The report suggests that savings equal to about 5% of DOE(C) non-staff running costs might be achieved when the new system was in operation, though it should be noted that roughly 50% of such costs are not at present borne on the DOE(C) Vote.

12. The report comments that, if line managers are to have the new responsibilities which it recommends, they will need incentives to exercise them well. It recommends that the expectation of good financial performance should be reflected in career assessment.

13. The longer-term recommendations are dependent upon the introduction of the computerised management information system.

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* The report contains an illustrative breakdown of the Department into 117 cost centres, 60 of which would be headed by Assistant Secretaries or equivalents and the remainder by officers of a higher or lower grade. But it is already clear that these illustrative proposals would require considerable amendment before they could be implemented in practice, though that is not to say that the orders of magnitude indicated are not correct.

(Such a system is clearly necessary in DOE(C), where most non-staff running costs are incurred centrally and where bills in respect of such costs do not ordinarily relate to identifiable organisational units. A manual local cost centre system might, however, be practicable in an organisation based on local offices or units.) This is related to the issue of computerisation on a minicomputer of DOE's existing Accounts Branch, for which preparatory work has already begun. And this is in turn tied up with the unavoidable accommodation changes referred to in paragraph 7 above (which may have staffing consequences and which may make it difficult even to maintain existing systems during the transitional period). Consultants (Messrs Peat Marwick Mitchell & Co) have been retained to advise on the planning of the two systems that will be required. (It is envisaged that at least two packages, one to cover bill paying and Vote accounting and the other to provide management information at the cost centre level, will be required, though they would be based on a common coding structure and database. In addition, separate computerised subsystems might be needed for certain items, eg accommodation, which might justify a separate microcomputer.) It is too early to forecast when the longer-term recommendations will have been implemented.

~~Wider issues~~

(3) DEPARTMENTAL RUNNING COSTS

8. A scrutiny into the control of non-staff administrative expenditure already carried out for the Secretary of State for the Environment has confirmed the message coming out of the scrutiny programme generally - poor budgeting, a widespread lack of responsiveness to costs and a need for greater delegation of authority and control. The DOE scrutiny recommended a package of reform aimed at encouraging accountable management. It included a 'cost centre' approach to the budgeting, monitoring and control process which places greater responsibility on line managers; an information system to support this; and reviews designed to cut costs.

9. Against this background, we propose a co-ordinated programme of reviews whose aim will be to ensure that each department has the tools necessary to keep its running costs under proper control. The reviews must recognise that the circumstances of Departments are different and may call for different approaches, and that managers made accountable for running costs must have adequate means of influencing those costs including the freedom, within limits, to switch resources so as to meet targets. The reviews will draw on the outcome of the large numer of related initiatives already taken in departments, experience of the annual scrutiny of running costs and the work of the Financial Management Co-ordination Group led by the Treasury. They will be complemented by the programme of resource control reviews of executive operations.

10. We propose specific exercises in 6 or 7 departments, some of whom have already expressed a particular desire to make a contribution. We would like to seek proposals from the Secretary of State for Foreign Affairs, the Secretary of State for Education and Science, the Secretary of State for Trade, the Secretary of State for Transport, the Secretary of State for Energy and the Secretary of State for Employment. My own Department will contribute.

(2) EXECUTIVE OPERATIONS (RESOURCE CONTROL REVIEWS)

4. The weight of scrutiny and other efficiency work has rightly been on simplifying administrative processes. But we need now to do more in and learn more about executive operations which are non-administrative in character. The resources used in such operations are large: an approximate estimate is 250-300,000 people and about £3,000 million a year.

5. The review this year of supporting services in R & D establishments has shown substantial scope for savings. Building on this we propose a programme of co-ordinated departmental scrutinies of the use and control of resources in the main blocks of non-administrative work. The aim would be to achieve immediate savings and improvements wherever possible and to identify and tackle obstacles to effective management. We think that 6 or 7 reviews should be carried out in 1982, with others to follow in later years.

6. We propose that the 1982 reviews include: two important areas of the Ministry of Defence (which has a large proportion of this kind of work); the prison service - already agreed

by the Home Secretary, with a closely related review in the Scottish prison service under consideration; the coastguard service; and the PSA works service. In addition one or two smaller units (perhaps for example the Meteorological Office) and also possibly a trading service such as the Royal Mint should be included.

7. The reviews would start with such matters as specialist technical services, various kinds of administrative support, supplies, capital assets - including joint studies by the CSD and departments of some of the main supporting services, such as messengerial and typing services, stores and telecommunications. Examining officers would be required to consider in the light of their findings arrangements for allocating responsibility and accountability and, as necessary, to draw attention to any desirable changes in policy guidelines.

Civil Service

MR. WHITMORE

MR. RICKETT

The meeting to discuss scrutiny of departmental running costs which was to have been next Tuesday, is now on Wednesday 11 November at 1100.

I have invited the Secretary of State for the Environment, Mr. John Cassels and officials from CSD and Treasury.

CAROLINE STEPHENS

21 October 1981

FILE

Civil Service

ds

10 DOWNING STREET

From the Private Secretary

1 October 1981

Scrutiny of Departmental Running Costs

Jeff Channing wrote to me on 17 September, replying to my letter of 20 August about the handling of the presentation your Secretary of State and officials are due to give the Prime Minister on 27 October.

The approach to the presentation outlined in Jeff Channing's letter seems admirable. My only comment is that I think the Prime Minister will want to hear from the Permanent Secretary and the Establishment Officer on how the introduction of the Joubert proposals will help them in their management function. One of the things that the Prime Minister has always been interested in is what the key management figures in the department - from Minister to line manager - do to ensure the effective management of resources.

I am copying this to David Allen.

W. F. S. RICKETT

Ms. Helen Ghosh,
Department of the Environment.

Mr RICKETT (o/r)

Cavil Smith

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I have seen Mr Channing's letter to you of 17 September and have discussed it with Mr Priestley.

2. I think the response a good and helpful one. My concern at the time of drawing up the list of questions that you put to Mr Channing in August was to ensure that the Joubert recommendations got a fair wind. The framework suggested by the Secretary of State does this.

3. We have two comments only on what is proposed. Firstly, I think it will be helpful for the Prime Minister to hear from the Permanent Secretary and the Establishment Officer on their role under the Joubert proposals and how the changes will help them in the management of DOE's administrative expenditure. We think an important purpose of the presentation is to enable the Prime Minister to get a feel for what the key management figures in the department do to ensure the effective management of resources. At the moment the Permanent Secretary's and Establishment Officer's part of the presentation concentrates on the logistics of the move to implementation of Joubert rather than what the change will mean for them.

4. Secondly, Mr Derwent, who assisted Mr Joubert in the scrutiny, has not been given a slot of his own but rather "will be available to deal with detailed points in the report". We do not think the Prime Minister can decently press for Mr Derwent to be given a speaking part, but she may wish to put the DOE on notice that she will want to draw Mr Derwent into the presentation.

5. I attach a possible Private Secretary letter for you to send to Mr Channing.

DRA.

D R ALLEN
18 September 1981

DRAFT OF 18 SEPTEMBER 1981

PL type
WR
1/10

Helen Ghosh

PRIVATE SECRETARY LETTER TO J P CHANNING ESQ.,
DEPARTMENT OF THE ENVIRONMENT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Jeff Channing wrote to me on
~~Thank you for your letter of~~ 17 September, replying to my letter of 20 August about the handling of the presentation your S of S and officials are due to give the P M on 27 October.

IP The approach to the presentation outlined in Jeff Channing's letter seems admirable.

~~The Prime Minister is well content with what is proposed. She has said only that she would find it helpful~~ to hear from the Permanent Secretary and the Establishment Officer on how the introduction of the Joubert proposals will help them in their management function. One of the things that the Prime Minister has always been ~~is most~~ interested in is what the key management figures in the department - from Minister to line manager - do to ensure the effective management of resources.

my only comment is that I think the P M wilder want

~~The Prime Minister is glad that Mr Derwent will be available to deal with detailed points on the Joubert/Derwent report. She looks forward to hearing from him.~~

I am copying this to David Allen.

W F S RICKETT

EA

2 MARSHAM STREET
LONDON SW1P 3EB

Mr Rickett (o/r!)

My ref: H/PSO/17208/81

Your ref:

17 September 1981

R
18/9

Dear Willie

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 20 August.

You enclosed a list of detailed questions which were based on the four themes already approved by the Prime Minister and which you suggested might form the basis of the discussion at the presentation on 27 October.

My Secretary of State would wish to propose building on the four basic themes in a rather different way, and to suggest a rather different framework for the presentation. In doing so, he has had in mind one of the comments which Sir Derek Rayner made on the Joubert report, namely that the deficiencies which it revealed in existing procedures for controlling running costs were by no means unique to DOE. On the other hand, the recommendations of the report will, when implemented, provide a system which will go beyond anything that is at present available to any Minister in charge of a Department. We would therefore like to shift the emphasis of the presentation towards the report itself, the changes that it will bring about (both for Ministers and for managers within Departments), the steps that are being taken to implement the report, and the problems that we will have to overcome. We do not see this as an occasion for going into great detail about existing systems, or past initiatives, except to the extent necessary to explain the improvements expected from revised procedures.

Building therefore on the four basic themes - which might perhaps be paraphased as (i) budgetting (ii) monitoring and exception reporting (iii) diagnosis and (iv) corrective action - we would propose as a framework for the presentation the topics set out in the attached note. Please let me know if you see any difficulties over this.

Finally, you asked whether Mr Derwent, who assisted Mr Joubert in carrying out his scrutiny, would be able to take part in the presentation. Although he is for the time being out of the

Department on secondment to one of the Clearing Banks, we expect that he will be able to attend and we will be arranging for him to be included in the official team.

I am sending a copy of this letter to David Allen in Sir Derek Rayner's office.

Yours ever

Jeffrey Channing

J P CHANNING
Private Secretary

RUNNING COSTS IN DOE (CENTRAL)

I. The Secretary of State

1. What information does a Minister need so as (a) to plan his department's programme:-

(i) so as to meet overall Government objectives (eg manpower ceilings) and to keep administrative expenditure within available resources;

(ii) so as to make resources available for the tasks to which the Government attaches priority;

and (b) to secure that plans are fulfilled.

2. What MINIS has achieved in controlling functions, and disposition of manpower.

3. What the annual scrutiny revealed about gaps in existing information systems.

4. What has been achieved by ad hoc initiatives - eg accommodation, photocopying - but what more could be achieved by a comprehensive approach.

5. What the Joubert proposals will provide:-

(i) estimates based on plans for individual responsibility centres;

(ii) a link between budgetted costs and MINIS functions;

(iii) monitoring of expenditure for the benefit both of the central budget unit and the managers themselves;

(iv) timely reporting of exceptions from plans, with a view to corrective action where appropriate.

II. The Permanent Secretary and the Establishment Officer

6. How we propose to implement Joubert.

7. Where we start: what the annual scrutiny shows for 1981/82: what we have already achieved (eg local T&S budgets, which were a DOE initiative).

8. How we propose to proceed:-

(i) Short-term: identification of responsibility centres within existing control mechanisms: budgets for responsibility centres and monitoring performance against budgets.

(ii) Longer-term: computerised management information system: link with computerisation of DOE Vote accounting and bill paying.

III. A Regional Director

9. What local budgeting will mean for the cost centre manager.

IV. Discussion and Questions

10. Mr Joubert's assistant in his scrutiny will be available to deal with detailed points on the report.

V. The Secretary of State

11. Wider implications:-

(i) Possible "read across" to other departments once DOE system is operating.

(ii) Local discretion and central standards.

B/F

cc D.R. Allen.

10 DOWNING STREET

From the Private Secretary

20 August 1981

Scrutiny of Departmental Running Costs

I have been thinking further about the ground that might helpfully be covered by your Minister and officials at the running costs presentation on 27 October, and have discussed this with David Allen in Sir Derek Rayner's office.

We think that the Prime Minister would be most helped by a presentation which avoids excessive detail on the procedures, but which gets across the spirit in which the Department plans and controls its administrative expenditure and the effect on keeping down costs. To this end, we have put together a list of questions intended to fill out the four themes which were approved by the Prime Minister and set out in my letter of 14 July.

As I mentioned in my letter of 14 July the Prime Minister was keen that Mr. Joubert should take part. I now understand that he is out of the country at the time. Could you let me know the arrangements for substituting for him and, in particular, whether his assistant in the scrutiny, Mr. Derwent, might suitably stand in?

W. F. S. RICKETT

Jeff Channing, Esq.,
Department of the Environment.

Some questions to be covered by the Running Costs Presentation

1. What are the procedures for determining the size and composition of the administrative budget? How do the central and the spending divisions inter-react in that process.

2. What are the "incentives" for spending divisions to keep down their administrative costs and to question these costs in relation to value for money.

3. What are the arrangements for the several tiers of management (from Minister down to line manager) to monitor costs throughout the year and in particular to what extent are managers down the line called upon to "account" for discrepancies between actual and plan?

4. What are the arrangements for questioning new expenditure bids which arise in the course of the year and for meeting those bids?

5. What initiatives have been taken (say since May 1979) to hold down administrative costs and how far have they been in direct response to manpower targets?

6. How far and in what areas is there delegated authority to the spending divisions to take the necessary decisions to "control" administrative costs.

7. What are the instruments available to management to review administrative costs and what have been their effect, in terms of savings, since May 1979.

8. How does the annual scrutiny of running costs fit in with the other arrangements in the department for questioning the costs of administration?

9. What has been the effect of MINIS on the control of administrative costs and getting better value for money: and how will the Joubert proposals, if implemented, contribute to cost control, expenditure planning and value for money.

10. What lessons are there from the Department of the Environment initiatives to control administrative costs for programme expenditure generally?

- what plans for control
- how compare out with plans
- expl for variance
- follow ups

10, Downing Street,
Whitehall S.W.1.

With the Private Secretary's Compliments.

Pl type and see x.

WM 20/8

MR RICKETT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS:
DOE PRESENTATION, 27 OCTOBER 1981

1. We spoke the other day about the possibility of you writing to Mr Heseltine's private secretary with a list of questions aimed at fleshing out the themes in your letter of 14 July. I attach a draft letter and enclosure.

2. I also mentioned to you that Mr Joubert is out of the country at the time of the presentation. You said that you would be in touch with DOE about this. If you have not already done so, you might use this opportunity to question DOE on who they intend to substitute for Mr Joubert. His assistant on the scrutiny, Mr Derwent, would be a good bet from our point of view.

3. I am on holiday for three weeks from the evening of 20 August. I shall be happy to talk to you before then about any of this. Will you please let us have a copy of whatever you send to Mr Edmonds?

x

DRA.

D R ALLEN

19 August 1981

DRAFT PRIVATE SECRETARY LETTER TO D ~~EDMONDS~~ J Channing ESQ.,
DEPARTMENT OF THE ENVIRONMENT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

I have been thinking further about the ground that might helpfully be covered by your Minister and officials at the running costs presentation on 27 October, and have discussed this with David Allen in Sir Derek Rayner's Office.

We think that the Prime Minister would be most helped by a presentation which avoids excessive detail on the procedures, but which gets across the spirit in which the Department plans and controls its administrative expenditure and the effect on keeping down costs. To this end, we have put together a list of questions intended to fill out the four themes which were approved by the P-M and set out in my letter of 14 July. ~~and to give a reasonable balance between procedures, spirit and effect~~.

As I mentioned in my letter of 14 July the Prime Minister was keen that Mr Joubert should take part. I now understand that he is out of the country at the time. Could you let me know ~~please~~ the arrangements for substituting for him and, in particular, whether his assistant in the scrutiny, Mr Derwent, might suitably stand in?

~~Yours etc~~

~~Private Secretary~~

~~Enc: Questions to be covered by the Running Costs Presentation~~

Some questions to be covered by the Running Costs Presentation

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8. How does the annual scrutiny of running costs fit in with the other arrangements in the department for questioning the costs of administration?

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PART 1 ends:-

WR to Env 14.7.81

PART 2 begins:-

Allen to WR + att 19.8.81

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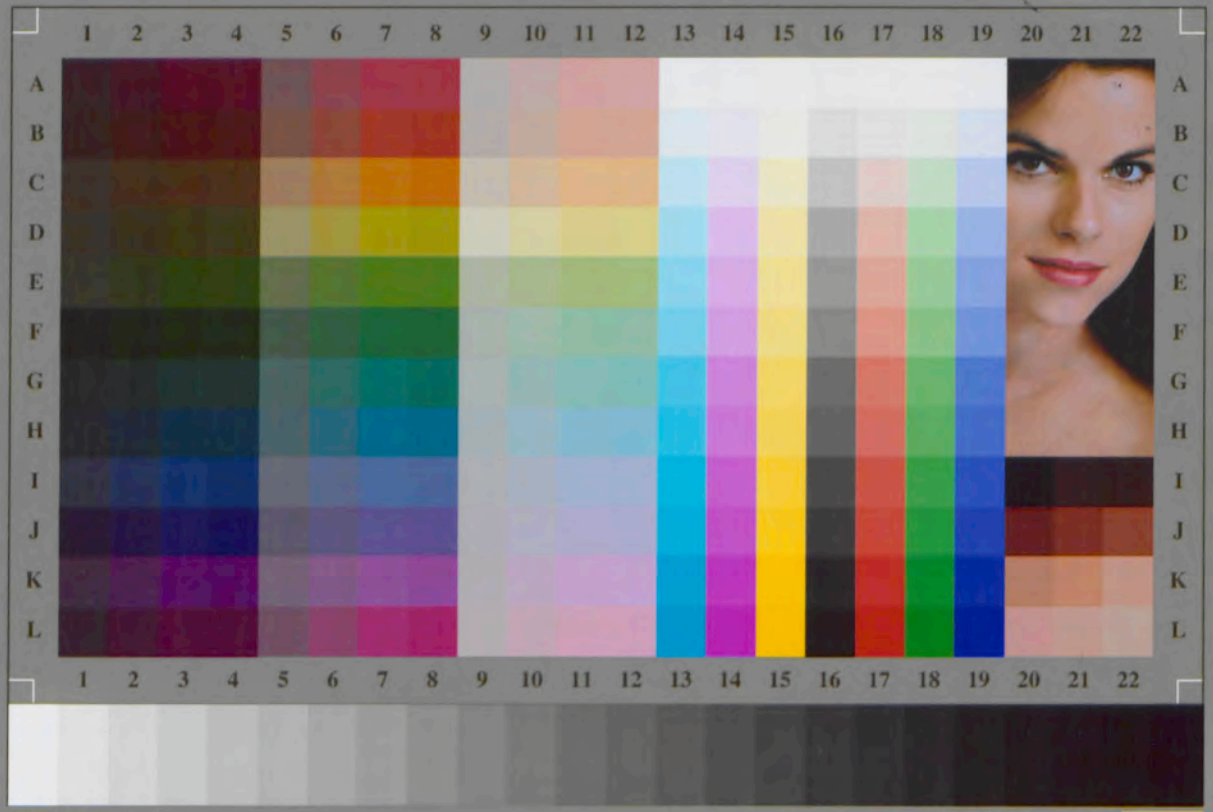

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