

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

1.

Prime Minister (through CAW)

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Ref. A03215

PRIME MINISTER

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

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

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

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

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

Staff Costs

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



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

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

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

28.3
mm

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



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

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

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

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

Telecommunications Services

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



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

Computer Services

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

11. The rate of expenditure in the items under Office Services are all broadly in line with the estimates provision. Part E of the Annex shows that, overall, costs in this area will fall by 41.8 per cent compared to the 1979-80 outturn, but this is more than wholly accounted for by the effect of the capital expenditure on computers in the earlier year.
12. I shall carry out a further review of Cabinet Office costs as soon as the outturn figures to December 1980 are available. If any significant departures emerge from the trend I have outlined above, I will report to you again.
13. I should be glad to know if you are content for me to submit an analysis of the Cabinet Office's annual running costs to the Minister of State, Civil Service Department.

REA

(Robert Armstrong)

14th October, 1980

CABINET OFFICE GROSS DEPARTMENTAL EXPENSES

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

CABINET OFFICE GROSS DEPARTMENTAL EXPENSES

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

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JS



10 DOWNING STREET

From the Private Secretary

MR. WRIGHT

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

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

WAP

KRB

16 October 1980