

Prime Minister

I assume we shall  
make staff savings from  
Ref. A05584 the word-processors?This report on the Cabinet Office's  
running costs for 1981/82 does not look  
too bad. Some of the detailed increases  
are large but these are all explained.

PRIME MINISTER

JML

22/10

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

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

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

#### Staff Costs

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



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

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

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

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

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

#### Personnel Overheads

5. The pattern of expenditure is:-

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

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

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

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

#### Accommodation

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

#### Office Services

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



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

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

#### Postage

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

#### Administrative Computers

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

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

#### Miscellaneous Expenses

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

#### Other Services

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

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

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



Capital Expenditure

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

Non-Cabinet Office Expenditure

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

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

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

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

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

RA

ROBERT ARMSTRONG

21 September 1981

CONFIDENTIAL



10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

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

JW.

27 October 1981

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Ref: A05766

CONFIDENTIAL

MR. WHITMORE

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

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

2.  
Prime Minister  
JWS  
2/10  
HNB

RA

Robert Armstrong

21st October 1981

CONFIDENTIAL



*Civil Service* *DSG*



10 DOWNING STREET

*From the Principal Private Secretary*

*BF*

SIR ROBERT ARMSTRONG

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

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

C. A. WHITMORE

23 September 1981

*Sp*