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	