


 Prime Minister

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PRIME MINISTER

LONG TERM PUBLIC EXPENDITURE

Your Personal Minute (M6/83) of 4 February 1983 asked all Ministers with responsibility for public expenditure to review their programmes critically and to send you a report on the possibilities in their departments for contributing to a substantial reduction in public expenditure in the longer term.

My departmental vote covers not only the Management and Personnel Office itself, but also your Office, the Whips' Offices and the Office of the Parliamentary Counsel. Over the next 5 years the net expenditure in cash terms is estimated at (£M):

1983-84	1984-85	1985-86	1986-87	1987-88
31	32	33.2	34.5	36

This relatively low level of increase is based on tight management control which, starting in 1983-84, will be sustained by a closely linked system of planning, resource allocation and financial monitoring, introduced under the Financial Management Initiative.

I have reviewed the programmes in the MPO itself very carefully. The comparison between the numbers of staff at May 1979 and April 1984 engaged on the work which the MPO now does will show a reduction from 1613 to 1219 (24.4%). This reduction has only been possible by a vigorous review of activities and concentration on priority tasks. Yet there are strong demands on us (especially in connection with the FMI and our overall policy of improving management in the Civil Service) to expand the MPO's work in the years ahead. I therefore see little scope for us to make a further direct contribution to public expenditure reductions. Rather, I intend that we should concentrate on consuming our own smoke by making savings in some areas in order to fund additional work in others. Training and management audit are two such areas where extra resources will be needed.

As part of my continuing direction of MPO's activities, I have arranged for important aspects of each of our three main 'executive' operations (the College, the Commission and the Medical Advisory Service) to be examined in 1983. These operations together account for about 40% of MPO's net expenditure. The plan is:-

- i. a study to see to what extent it is practicable and efficient to arrange for some training at present done by the College to be undertaken either by 'outside' institutions or by individual departments for themselves;

ii. a scrutiny in the Commission which will seek ways of further improving cost-effectiveness and better meeting the needs of departments. The Commission will also participate in the multi-department review of administrative support services;

iii. a comparative study of the MPO's Medical Advisory Service and the separate MOD PE Civilian Medical Services (perhaps undertaken by an independent evaluation unit funded by the EEC Health and Safety Directorate). Proposals have been put to MOD.

I expect a report shortly about contracting-out the hotel and catering operation at the Civil Service College, Sunningdale to the private sector. I am keen to do this. It could save up to 50 posts and there may be a modest financial economy as well.

The various studies which are planned may reveal further ways of saving costs through greater efficiency and every opportunity will be taken to do so. But for the reasons I have given, I cannot predict any net reduction in expenditure by the MPO for the longer term.

Janet Young

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29 March 1983

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