

*CEB*

Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq  
Private Secretary  
10 Downing Street  
London  
SW1

*NBP7.*

28 November 1986

*Dear David,***CUMULATING COSTS**

... I would like to draw your attention to the attached PESC paper which has been circulated to Principal Finance Officers of Departments. It arises out of recent experience on presentation of the costs of settling the teachers' pay dispute, and other increases in expenditure agreed upon in the Public Expenditure Survey.

Except for the costs of distinct and finite projects you will see that Treasury Ministers have asked that expenditure levels and changes should in future be quoted per annum in Government statements and publications.

I am copying this to the Private Secretaries to all members of the Cabinet. I would be grateful if they could take note of it when preparing Ministerial speeches or statements.

*Yours,**Jill Rutter*

JILL RUTTER  
Private Secretary

HER MAJESTY'S TREASURY  
PUBLIC EXPENDITURE SURVEY COMMITTEE

CUMULATING COSTS

Note by the Secretaries

When the new planning totals were announced, some newspapers described this as "Government spending up £10 billion over the next two years".

2. For a distinct project eg the cost of a hospital, a weapons system or a particular road, the total cost over a number of years is a sensible way to present the figures. But for flow or recurrent expenditure cumulating the costs has no statistical validity and is misleading since the number of years chosen is arbitrary.

3. It may be, however, that the Government itself has contributed to this practice. For example, the Government's original offer to the teachers was presented as £1250 million over four years rather than, say, £200 million in the first year rising to £450 million per year after four years.

4. Except for the cost of distinct and finite projects, Treasury Ministers have asked that expenditure levels and charges should in future be quoted in terms of per annum figures in Government statements and publications. Departments are invited to observe this convention in their own statements and publications.

MRS R M DUNN  
MISS M P WALLACE