

Prime Minister (1)

Put in Cabinet's PESC folder



The figures were not good, and suggested a pre-occupation with systems rather than results. But there is no point in trying to suppress them.

Treasury Chambers, Parliament Street, SW1P 3AG
D Barclay Esq
Private Secretary
No. 10 Downing Street
London SW1

29 October 1984

Agree Q and A for the Chief Secretary, as attached?

Dear David

Yes

DMB
29/10

1983-84 SCRUTINY OF RUNNING COSTS

As you know, the Chief Secretary reported to the Prime Minister on the 1983-84 scrutiny of departmental running costs on 30 July.

2 In previous years the results of the annual scrutiny have been published by means of an arranged Parliamentary Question. Two MPs, Mr Ralph Howell (Conservative North Norfolk) and Mr Peter Thurnham (Conservative Bolton NE) have in the past asked for the latest figures. It seems sensible to publish the 1983-84 scrutiny results in the same way although, as the Prime Minister commented, the figures are disappointing. Not to do so voluntarily would lead inevitably to Mr Howell tabling a Question to extract them. A draft Parliamentary Question and the Hansard extract showing last year's question are attached.

3 The Chief Secretary is inclined also to publish the results of the further analysis suggested by Mr Heseltine in his letter of 7 September to the Chief Secretary. But a final decision must await completion of the further work. As Mr Fowler commented in his letter of 15 October, most departments will have been affected by special factors in the past few years, and we shall need to be sure a sensible series of figures can be constructed for publication. For the time being, therefore, the Chief Secretary does not propose to refer to the further work in progress.

4 A copy of this letter goes to the Private Secretaries of other members of the Cabinet, Ian Beesley (Efficiency Unit) and Richard Hatfield (Cabinet Office).

Yours sincerely
Richard Broadbent

R J BROADBENT
Private Secretary

DRAFT QUESTION

To ask Mr Chancellor of the Exchequer, what measures are being taken to improve control of the running costs of Government departments; and what are the latest figures available broken down by department, wages and salaries, personnel overheads, accommodation costs, office services and other services.

DRAFT ANSWER

The table below shows how running costs have increased since the Government took office:

	1979-80 to 1980-81	1980-81 to 1981-82	1981-82 to 1982-83	1982-83 to 1983-84
Running costs	19.2	11.5	9.4* (7.6 excl MOD)	6.3* (6.9 excl MOD)
Inflation (GDP deflator)	18.7	9.9	6.8	4.7

* Figures for 1982-83 for the Ministry of Defence are distorted by the Falklands conflict.

Comparison between 1982-83 and 1983-84 is complicated by factors outside departments control: especially changes in the basis of accommodation costs and an increased notional allowance for pensions. Correcting for these factors reduces the figure of 6.9 per cent to about 5.5 per cent.

Ministers are continuing to take a personal interest in the costs of their departments and savings of £60 M per annum have been

Controlling

identified from a wide variety of measures including up to £22M per annum from a review of staffing allowances in the unemployment benefit service, £12M per annum from contracting out cleaning and catering in the Ministry of Defence, and £4M per annum from a new method for collecting and delivering mail in the Department of Health and Social Security.

The following table shows forecast outturn for 1983-84 for each department. The figures for the Ministry of Defence cover military and civilian running costs which cannot be separated with precision.

GROSS RUNNING COSTS - 1983-84 FORECAST OUTTURN

	Wages and salaries		Personal overheads		Accommodation costs		Office services		Other services		Total running costs
	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM
Ministry of Defence (including Armed Forces)	6043.7	69.6	597.0	6.9	1655.6	19.1	218.6	2.5	165.1	1.9	8680.1
Foreign and Commonwealth Office	197.0	54.3	27.9	7.7	54.8	23.4	42.6	11.7	10.4	2.9	362.7
Overseas Development Administration	24.4	57.3	2.1	5.0	7.5	17.5	3.7	8.7	4.9	11.5	42.6
Ministry of Agriculture, Fisheries and Food	138.8	66.6	13.8	6.6	41.1	19.7	12.6	6.0	2.1	1.0	208.4
Department of Energy	16.2	52.3	1.3	4.2	6.0	19.3	5.9	19.1	1.6	5.1	31.0
Department of Trade and Industry	159.9	60.7	7.9	3.0	54.0	20.5	33.6	12.7	8.2	3.1	236.6
Department of Employment	246.9	72.1	8.5	2.5	55.9	16.3	25.6	7.5	5.8	1.7	342.7
Manpower Services Commission	216.5	64.7	11.0	3.3	60.2	18.0	40.0	11.9	6.9	2.1	334.6
Department of Transport	141.1	54.0	8.8	3.4	33.0	12.6	29.0	11.1	49.5	18.9	261.4
Department of the Environment	97.1	60.1	5.2	3.2	34.9	21.6	16.9	10.5	7.4	4.6	161.6
Property Services Agency (excluding Supplies)	320.7	66.7	13.5	2.8	35.7	7.4	17.3	3.6	93.9	19.5	481.1
Home Office	517.2	78.5	26.5	4.0	68.5	10.4	23.9	3.6	22.3	3.4	658.5
Lord Chancellor's Department	114.2	63.9	6.8	3.8	39.2	21.9	15.5	3.6	3.2	1.8	178.9
Department of Education and Science	33.8	64.9	2.9	5.6	10.3	19.7	4.5	8.6	0.6	1.2	52.2
Department of Health & Social Security	826.4	58.2	25.2	1.8	142.6	10.0	115.1	8.1	311.8	21.9	1421.1
Her Majesty's Treasury (including CISCOS)	46.2	67.6	2.0	2.9	9.6	14.1	5.4	7.9	5.2	7.6	68.3
Customs & Excise	284.2	75.6	18.0	4.8	45.7	12.1	22.3	5.9	5.8	1.5	375.9
Inland Revenue	672.9	74.6	19.4	2.1	128.9	14.3	63.9	7.1	17.1	1.9	902.2
Department of National Savings	61.7	41.1	1.2	0.2	10.7	7.1	22.4	14.9	54.4	36.2	150.4
Cabinet Office	23.9	48.8	2.6	5.4	11.8	24.1	7.3	14.9	3.4	6.8	49.0
Paymaster General's Office	7.0	56.3	0.1	0.2	1.2	9.6	2.1	17.3	2.0	15.9	12.4
Scottish Office	120.6	72.9	6.4	3.9	24.6	14.9	9.4	5.7	4.4	2.6	165.4
Welsh Office	24.3	58.4	1.5	3.6	5.7	13.8	3.2	7.6	6.9	16.6	41.6
Northern Ireland Office and Northern Ireland Departments	328.6	77.9	15.9	3.8	35.1	8.3	18.5	4.4	23.6	5.6	421.8
TOTAL MAIN DEPARTMENTS	10663.3	68.1	825.5	5.3	2602.6	16.6	759.3	4.8	916.5	5.2	15667.5
TOTAL OTHER DEPARTMENTS	260.1	68.0	17.0	4.4	56.2	14.7	26.6	7.0	22.8	6.0	322.4
TOTAL ALL DEPARTMENTS	10923.4	68.1	842.5	5.2	2658.8	16.6	785.9	4.9	939.3	5.2	16049.9

KE calculations are based on actual not rounded figures

Notes

- Wages and Salaries - Wages, salaries, overtime payments, employers' National Insurance contributions and notional cost of accruing liability for pensions of serving staff;
 Personnel Overheads - Travel, subsistence, removals, entertainment, catering support, protective clothing and training;
 Accommodation Costs - Rates, heating, lighting, utilities, furniture and fittings, and notional market rental values for Crown and leased property;
 Office Services - Postage, telecommunications, stationery, printing, binding, publications, library services, current expenditure on computers, office machinery and vehicles, and publicity and advertising;
 Other Costs - Services provided by the Post Office, other agencies, and other departments.

CONFIDENTIAL



HO vsc

10 DOWNING STREET

From the Private Secretary

30 October 1984

1983-84 Scrutiny of Running Costs

Thank you for your letter of 29 October about the 1983-84 scrutiny of departmental running costs.

Subject to the views of colleagues, the Prime Minister is content with the draft Question and answer which was attached to your letter.

You may like to consider adding the word "controlling" between "in" and "the" in the first line of the penultimate paragraph.

I am sending copies of this letter to Ian Beesley (Efficiency Unit) and Richard Hatfield (Cabinet Office) but not to the other recipients of your letter.

(David Barclay)

R.J. Broadbent, Esq.,
H.M. Treasury.

CONFIDENTIAL

285

MR. TURNBULL

1983-84 SCRUTINY OF RUNNING COSTS

The Prime Minister has agreed to the draft Question and Answer on Departmental running costs which was attached to Richard Broadbent's letter of 29 October (below).

The Prime Minister has marked the papers "put in Cabinet PESC folder". I am not sure whether such a folder exists - but perhaps you could keep the papers by you for use as appropriate.

Drub

30 October 1984

Extract from Hansard: 25th October 1983

Volume 47, Number 34

Columns 76 to 78 Written Answers.

Government Departments (Costs)

Mr. Beaumont-Dark asked the Chancellor of the Exchequer what measures are being taken to improve control of the running costs of Government Departments; and what are the latest figures available broken down by Department, wages and salaries, personnel overheads, accommodation costs, office services and other services.

Mr. Peter Rees: The following table shows that, if allowance is made for additional expenditure caused by the Falklands conflict, the trend is towards a lower rate of increase in the running costs of Government Departments.

	Percentage increase		
	1979-80 to 1980-81	1980-81 to 1981-82	1981-82 to 1982-83
Running costs	19.2	11.5	9.4 (7.6 excluding MOD)
Inflation (GDP deflator)	17.7	10.3	7.1

Comparison between 1981-82 and 1982-83 is complicated by factors outside Departments' control: the decrease in the national insurance surcharge, an increased notional allowance for pensions, and changes in the basis of accommodation costs. Correcting for these factors reduces the figure of 7.6 per cent. to about 7.3 per cent.

Running costs tend to increase steadily unless a determined effort is made to check them. Ministers are therefore taking a personal interest in the costs of their Departments and this is supplemented by an annual service-wide scrutiny carried out by the Treasury. This scrutiny has revealed a wide range of many individually small but useful improvements which have helped to contain the growth of expenditure.

The following tables show outturn for 1981-82 and forecast outturn for 1982-83 for each Department. The figures for the Ministry of Defence cover military and civilian running costs which cannot be separated with precision and for 1982-83 include additional expenditure due to the Falklands conflict.

Gross Running Costs—1981-82

Ountion

Department	Wages and Salaries		Personnel Overheads		Accommodation Costs		Office Services		Other Services		Total Running Costs
	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	
Ministry of Defence (including Armed Forces)	5,444.4	73.5	430.8	5.8	1,245.8	16.8	154.6	2.1	131.0	1.8	7,406.6
Foreign and Commonwealth Office	167.9	57.6	23.6	8.1	58.3	20.0	21.4	7.3	20.5	7.0	291.6
Overseas Development Administration	22.9	58.2	2.2	5.5	6.0	15.2	3.3	8.3	5.0	12.7	39.3
Ministry of Agriculture, Fisheries and Food	127.9	71.6	11.5	6.4	26.7	14.9	11.3	6.3	1.2	0.7	178.6
Department of Industry	89.4	68.3	4.0	3.1	21.2	16.2	10.8	8.2	5.4	4.1	130.9
Department of Energy	14.8	56.2	1.1	4.1	3.8	14.5	2.1	7.9	4.5	17.2	26.3
Department of Trade	74.4	47.8	3.0	2.1	35.7	22.9	12.9	8.3	29.2	18.8	155.5
Department of Employment	207.2	77.2	6.4	2.4	32.7	12.2	17.5	6.5	4.8	1.8	268.5
Manpower Services Commission	195.3	65.8	9.2	3.1	54.8	18.5	31.3	10.5	6.1	2.0	296.7
Department of Transport	114.4	52.4	5.5	2.5	10.9	17.4	10.9	8.0	57.1	26.2	218.3
Department of the Environment	104.8	68.0	5.2	3.4	22.4	14.5	14.9	9.7	6.8	4.4	154.2
Property Services Agency	302.8	70.0	13.8	3.2	43.7	10.1	11.0	2.6	61.2	14.1	432.5
Home Office	445.8	85.4	19.1	3.7	23.8	4.6	21.1	4.0	12.5	2.4	523.3
Lord Chancellor's Department	97.1	65.7	5.4	3.6	29.0	19.6	12.6	8.5	3.7	2.5	147.8
Department of Education and Science	30.6	69.4	2.4	5.3	7.7	17.6	3.0	6.9	0.3	0.7	44.0
Department of Health and Social Security	742.4	59.4	21.8	1.7	114.4	9.2	97.8	7.8	272.5	21.8	1,245.9
Her Majesty's Treasury	43.4	69.6	1.6	2.6	7.3	11.6	3.6	5.8	6.5	10.4	62.3
Customs and Excise	259.7	77.1	16.9	5.0	38.2	11.3	16.8	5.0	5.3	1.6	336.8
Inland Revenue	595.5	75.2	15.2	1.9	111.5	14.1	55.9	7.1	13.6	1.7	791.7
Department of National Savings	60.5	38.4	0.7	0.5	8.5	5.4	20.6	13.1	67.1	42.6	157.5
Management and Personnel Office	14.7	48.3	2.0	6.4	5.7	18.6	3.8	12.5	4.3	14.2	30.5
Paymaster General's Office	6.4	57.2	0.0	0.4	1.0	9.0	2.1	19.0	1.6	14.5	11.2
Scottish Office	110.3	72.6	5.0	3.3	23.7	15.6	8.1	5.3	4.8	3.2	151.9
Welsh Office	23.3	54.1	1.2	2.8	3.3	7.6	3.4	7.9	11.8	27.5	43.0
Northern Ireland Departments and Northern Ireland Office	281.1	78.7	14.5	4.1	24.0	6.7	18.4	5.1	19.3	5.4	357.4
Total Main Departments	9,577.1	70.9	622.3	4.6	1,972.9	14.6	575.6	4.3	756.3	5.6	13,504.3
Total Other Departments	245.5	65.8	13.9	3.6	54.9	14.1	26.2	6.7	37.9	9.8	388.4
TOTAL ALL DEPARTMENTS	9,822.6	70.8	636.2	4.6	2,027.8	14.6	601.8	4.3	794.2	5.7	13,892.7

NB Calculations are based on actual not rounded figures.

Gross Running Costs—1982-83 Forecast Ountion

Department	Wages and Salaries		Personnel Overheads		Accommodation costs		Office Services		Other Services		Total Running Costs
	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	£ million	Percentage of total running costs	
Ministry of Defence (including Armed Forces)	5,759.9	70.1	593.0	7.2	1,517.9	18.5	185.6	2.3	158.8	1.9	8,215.1
Foreign and Commonwealth Office	178.8	54.4	25.0	7.6	74.9	22.8	26.3	8.0	23.4	7.1	328.5
Overseas Development Administration	23.8	58.8	2.0	4.9	6.8	16.8	3.3	8.1	4.7	11.6	40.5
Ministry of Agriculture, Fisheries and Food	133.2	69.9	12.5	6.6	29.7	15.6	13.4	7.0	1.7	0.9	190.6
Department of Industry	92.5	66.2	4.6	3.3	23.3	16.7	12.0	8.6	7.3	5.2	139.8
Department of Energy	14.7	56.1	1.2	4.6	5.5	21.0	2.4	9.2	2.6	9.9	26.2
Department of Trade	78.7	48.6	4.0	2.5	39.7	24.5	13.1	8.1	26.3	16.3	161.8
Department of Employment	230.6	76.1	8.1	2.7	35.9	11.9	23.3	7.7	5.0	1.7	302.9
Manpower Services Commission	208.5	64.4	11.5	3.5	54.4	18.3	37.1	11.5	7.5	2.3	324.0
Department of Transport	119.0	54.1	6.5	3.0	25.9	11.8	24.1	10.9	44.5	20.2	220.0
Department of the Environment	100.2	64.9	5.4	3.5	24.7	16.0	15.6	10.1	8.2	5.3	154.2
Property Services Agency	314.1	67.7	14.4	3.1	48.8	10.5	14.2	3.1	72.6	15.6	464.2
Home Office	492.0	84.6	22.1	3.8	29.4	5.1	24.7	4.2	13.5	2.3	581.7
Lord Chancellor's Department	106.0	65.6	6.2	3.8	32.0	19.8	13.8	8.5	3.5	2.2	161.6
Department of Education and Science	31.9	66.6	2.8	5.8	9.2	19.2	3.6	7.5	0.4	0.8	47.9
Department of Health and Social Security	791.0	57.9	23.5	1.7	127.3	9.3	116.2	8.5	308.0	22.5	1,366.1
Her Majesty's Treasury	45.5	67.5	1.7	2.5	8.7	12.9	3.7	5.5	7.9	11.7	67.4
Customs and Excise	271.5	75.7	18.2	5.1	42.9	12.0	20.4	5.7	5.7	1.6	358.7
Inland Revenue	640.4	74.4	19.1	2.2	123.5	14.4	61.2	7.1	16.3	1.9	860.5
Department of National Savings	62.2	40.9	0.9	0.6	10.1	6.4	21.8	14.3	57.2	37.6	152.1
Management and Personnel Office	15.5	45.2	2.2	6.4	6.7	19.5	4.7	13.7	5.2	15.2	34.3
Paymaster General's Office	6.8	56.2	0.1	0.8	1.1	9.1	2.3	19.0	1.8	14.9	12.1
Scottish Office	116.6	72.2	5.8	3.6	25.3	15.7	8.4	5.2	5.4	3.3	161.6
Welsh Office	24.0	53.6	1.2	2.7	3.6	8.0	3.6	8.0	12.4	27.7	44.8
Northern Ireland Departments and Northern Ireland Office	300.1	78.0	14.7	3.8	29.1	7.6	20.1	5.2	20.9	5.4	384.9
Total Main Departments	10,156.5	68.6	806.7	5.4	2,341.4	15.8	674.9	4.6	820.8	5.5	14,810.5
Total Other Departments	271.3	68.6	14.0	3.5	62.5	15.8	28.1	7.1	19.4	4.9	395.4
TOTAL ALL DEPARTMENTS	10,427.8	68.6	820.7	5.4	2,403.9	15.8	703.0	4.6	840.2	5.5	15,196.9

NB Calculations are based on actual not rounded figures.

Notes:

Wages and salaries = wages, salaries, overtime payments, employers' national insurance contributions, and notional cost of accruing liability for pensions of serving staff.

Personnel overheads = travel, subsistence, removals, entertainment, catering support, protective clothing and training.

Accommodation costs = rates, heating, lighting, unlines, furniture and fittings, and notional market rental values for Crown and leased property.

Office services = postage, telecommunications, photocopying, printing, binding, publications, laundry services, current expenditure on computers, office machinery and vehicles, and publicity and advertising.

Other costs = services provided by the Post Office, other agencies, and other Departments.

The coverage of the tables above differs from that table relating to provision for 1981-82 which was published in the Official Report c. 112 on 2 March 1982. These tables include more staff in Northern Ireland Departments and some additional payments to other Government Departments. The coverage of accommodation costs in the Home Office has also been changed.

Govt Moenungy : Kaymer : Pt ?