

Ref. A083/1250

PRIME MINISTER



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Cabinet Office: Departmental Running Costs

In common with all Departments the Cabinet Office is required to carry out an annual scrutiny of running costs. This is the third such exercise, although there have been changes in the way the information is presented, and in the current scrutiny we are asked to compare the outturn for 1981-82 with the forecast outturn for 1982-83 and the approved Estimate for 1983-84, concentrating on those items showing significant movement in costs. I have followed the procedure you agreed for the earlier exercises, where you were content for me to carry out the detailed scrutiny and to provide you with a statement about the outcome (your Private Secretary's letter of 9 May 1980 refers).

2. I have completed my detailed scrutiny under the following headings:-

- A. Pay Costs
- B. Personnel Overhead
- C. Accommodation
- D. Office Services
- E. Services Supplied by Outside Bodies
- F. Capital Costs
- G. Receipts

3. The summary which follows shows how the major Cabinet Office costs have moved under these headings. The total cost of running the Cabinet Office, excluding the Property Repayment Scheme launched on 1 April 1983, is:-

<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u>	<u>Increase over</u> <u>Previous Year</u>	<u>1983-84</u> <u>Estimate</u>	<u>Increase over</u> <u>Previous Year</u>
£ million	£ million	%	£ million	%
8,933	9,737	+9.0	10,393	+6.7

In real terms, ie discounting price increases, the 1981-82 and 1982-83 costs are about the same level. The 1983-84 provision shows an increase of about 1 per cent (in real terms) over the previous





year. This small volume increase is largely due to the additional maintenance required for the Central Statistical Office computer which underwent a major enhancement during 1981-82, mainly to meet increased user demands from the Treasury, which now absorbs between 65 per cent and 70 per cent of the computer service.

Pay Costs

4. These continue to be the single most important factor bearing on our running costs. In 1983-84 pay costs represent 75 per cent of the Vote, excluding the Property Repayment Scheme and capital items. The total expenditure on salaries and wages is:-

	Cost £ thousand	% change compared with previous year	
		<u>Staff</u>	<u>Salaries</u>
1981-82	5,531		
1982-83	6,064	-3.4	+9.6
1983-84 Provision	6,217	-1.5	+2.5

The increase between 1981-82 and 1982-83 is accounted for by pay increases of 5.9 per cent for the lower and middle grades, 14-15 per cent for the higher grades and 12.2 per cent for London Weighting. The average salary of staff on loan from industry and commerce and service officers from MOD rose by 17.8 per cent.

5. A firm check is kept on staff numbers and on the way we use the staff. We have reduced staff numbers from 635 staff at 1 May 1979 to 546 on 1 April 1983, and are on course to achieve our present target of 527 at 1 April 1984 (this latter figure compares with an earlier target of 540). Improvements in the efficiency of some common service activities have helped to achieve this reduction. Our over-time bill for 1982-83 (£130,000) was 41 per cent up on 1981-82 entirely as a consequence of the Falklands crisis. These pay figures exclude a notional pension and gratuity liability which is £1,318,000 in 1983-84.





Personnel Overheads

6. The pattern of expenditure is:-

	£ thousand	<u>% change with previous year</u>
1981-82	174	
1982-83	206	+18.4
1983-84 Provision	264	+28.2

These amounts include minor sums for entertainment, removals, protective clothing and catering subsidies. The two major items are travel and subsistence (T & S) and training payments to outside bodies.

7. Provision for travel and subsistence in 1983-84 is £176,000, up about 21 per cent on 1982-83. In the period under consideration higher rail fares (21 per cent), motor mileage allowance (18 per cent) and subsistence (18 per cent) have been major factors in the increase. Expenditure on overseas travel does not follow a regular annual pattern, and the 1983-84 provision, which is up by about 43 per cent on 1982-83, partly reflects a higher estimated need for trips abroad, including Mr Goodall's visits to Washington on nuclear matters and a visit by the Intelligence Co-ordinator to Australia and New Zealand, and also delayed billing from 1982-83. The budgeting and control system introduced several years ago for travel costs is working well, and enables a careful watch to be kept on the assessment and the pattern of expenditure. Training payments to outside bodies is up from £25,000 in 1982-83 to £52,000 in 1983-84. This is mainly a technical increase arising from the introduction of repayment for some Civil Service College courses.

Accommodation

8. The introduction of the Property Repayment Scheme on 1 April 1983 involved the transfer of £4,413,000 from PSA to the Cabinet Office Vote; no valid comparisons can therefore be drawn with costs for earlier years. There has been no change in our accommodation holdings and we continue to take care to ensure that facilities are used in the most economical way.





Office Services

9. The largest increase in this section is on current expenditure on computers (up by £186,000, about 46 per cent). This reflects the increased maintenance charges resulting from the enhancement of the Central Statistical Office computer, mainly to meet the needs of the Treasury, whose Financial Information Service (FIS) is now completely computerised.

10. Other significant items are:-

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
Telecommuni- cations	295	305	+ 3.4	386	+26.6
Stationery	95	116	+22.1	130	+12.1
Printing and binding repro- graphics	119	154	+29.4	163	+ 5.8
Office machinery	92	106	+15.2	122	+15.1

The increase in expenditure on telecommunications is due to higher maintenance costs and the replacement of non-capital items in the Cabinet Office Briefing Room, and in aid of the proposed defence centre in the MOD. The bulk of the expenditure on stationery, printing and office machinery is incurred through HMSO. The main factors contributing to the increases over the years are price increases of up to 20 per cent on some items; a greatly increased use of computer stationery and higher maintenance and rental charges on office machinery which has become more productive but also more sophisticated. In 1981-82 a special exercise was mounted to reduce stocks of HMSO supplies. This once-and-for-all saving resulted in the overall outturn for 1981-82 being less than the outturn for the previous year, which affects the comparison between 1981-82 and 1982-83.



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## Services Supplied by Outside Bodies

11. These are:-

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u> <u>Outturn</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>increase</u> <u>over</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
PO Telephonists	32	27	-15.6	29	+ 7.4
Contract cleaning	32	32	-	40	+25.0
Fee payments	140	160	+14.3	173	+ 8.1
Treasury Security Guards	373	365	- 2.1	374	+ 2.5

The Telephonist costs represent our share of the Whitehall CBX system. The fluctuations are due largely to the pattern of billing. A new and cheaper cleaning contract has now been negotiated. The overall increase on this service between 1981-82 and 1983-84 will be about 12.5 per cent (not 25 per cent).

12. During 1982-83 additional fees were incurred as a result of the Falklands crisis eg to Sir Michael Palliser and to members of the Shackleton Committee. In 1983-84 provision is included for the Advisory Council for Applied Research and Development to employ outside consultants in support of some studies, and for the Central Statistical Office on studies of public corporation accounts and for the purchase of market research.

## Capital Costs

13. Expenditure on capital items varies significantly from year to year according to needs as the following table shows:

	<u>1981-82</u> <u>Outturn</u>	<u>1982-83</u> <u>Forecast</u> <u>Outturn</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>	<u>1983-84</u> <u>Estimate</u>	<u>%</u> <u>change</u> <u>with</u> <u>previous</u> <u>year</u>
	£ thousand	£ thousand		£ thousand	
Telecommunications	-	35	-	60	+71.4
Office Machinery	44	38	-13.6	42	+10.5
Computers	2065	350	-83.1	547	+56.3





The increase under Telecommunications is for equipment for the Cabinet Office Briefing Room and for the proposed hardened defence centre in MOD.

14. On computers the major enhancement of the mainframe took place in 1981-82. Since then a phased programme for the purchase of items to improve and extend the service to meet user needs has been implemented.

Receipts

15. The significant item is the notional receipts for the computer service provided by the Central Statistical Office to the Treasury, £1,220,000 in 1983-84.

16. The Cabinet Office will continue to seek ways to minimise and reduce its running costs. Although the Office was not one of the Departments specifically charged with implementing the Financial Management Initiative, it will be applying the general principles of the FMI to the fullest extent practicable.

RIA

ROBERT ARMSTRONG

5 May 1983



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6 MAY 1985



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10 DOWNING STREET

*From the Private Secretary*

MR. HATFIELD

CABINET OFFICE RUNNING COSTS

This is just to record that the Prime Minister has seen Sir Robert Armstrong's minute of 5 May about Cabinet Office running costs.

TIMOTHY FLESHER

9 May 1983