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PRIME MINISTER

PAY ASSUMPTION AND RUNNING COSTS LIMITS

In his minute of 10 September, the Chief Secretary set out the reasons why we do not think it sensible to have a formal pay assumption for 1986-87; and said that we would be putting proposals to colleagues about the treatment of running costs in Estimates.

The logical implication of the move to running cost control is a presentation that focuses on a department's total running costs without disaggregation into separate components for pay and other running costs. Such a presentation would ensure that the Parliamentary control regime was in line with that operated within Government; and would allow departments the maximum freedom to reallocate provision within total running costs limits. This is consistent with the development of budgeting as an important technique of financial controls and the way we are handling running costs in the Survey.

My proposal, which is specified in more detail in the Annex, will mean the loss of identifiable figures for pay or other components of running costs in Main Estimates. The normal table in the Summary and Guide to Estimates showing the aggregate provision for pay will similarly not be available. Some Select Committees have shown interest in such information in the past, even though it has usually differed a good deal from the outturn following the pay settlement. Presentation of the proposal to Parliament will be important, and I will need to consult formally with the TCSC and PAC. But from the informal soundings I have



taken, I would hope that Parliament will see the advantages of aligning their scrutiny with the reality of our control procedures. This would be in line with the other improvements for which Parliament has been pressing in the structure of Estimates to reflect more clearly the way expenditure is planned and controlled in departments. If Select Committees nevertheless insist on requiring supplementary analyses, these could be provided once pay settlements had been reached.

*Some are
very likely
to be
unhappy,
and may
raise it
in October
or before.*

I hope that this proposal will commend itself to colleagues. I should be grateful to know if you are content, so that I can consult the two Parliamentary Committees, and instructions can be issued to departments on the preparation of Estimates.

Finally, I should add that it is clearly of the first importance that this change in procedure is not seen - whether by the CBI, the public service unions or anyone else - as an indication that the Government is going soft on pay. I am therefore giving careful thought to the question of presentation and will be issuing further guidance on this to Departments.

I am copying this minute to other Members of Cabinet and to Sir Robert Armstrong.

N.L.

N.L.

25 September 1985

RUNNING COSTS: PROPOSED PRESENTATION IN ESTIMATES

1. The provision in Main Estimates for each department's running costs should be sought without disaggregating it into pay and other running costs.
2. Non-financial information currently shown on the face of Estimates could still be given where appropriate; manpower numbers should in any case be shown.
3. Supplementary analyses could also be given to Select Committees, if required; but any analyses showing (or allowing users to calculate) the implied provision for pay within total running costs should be provided only after pay settlements had been reached.

NOTES

- (a) These arrangements are designed to allow the splitting of the running costs provision between the principal functions or responsibility centres covered by the vote, eg in cases where the votes are restructured in this way to reflect developments in financial management.
- (b) They also do not preclude showing some particular components of running costs (eg for accommodation) separately from the main running costs provision, if there are good management reasons for doing this, provided that this does not narrow the main running costs provision to an extent which would enable the pay component to be deduced.
- (c) Any provision for running costs receipts would similarly not distinguish between those relating to pay and to other running costs.

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