



30 July 1984

PRIME MINISTER

1983-84 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

As you know, in the course of the Cabinet's 5 July discussion on public expenditure, I reported briefly on the overall outcome of the 1983-84 annual scrutiny of departments' running costs.

I now attach the full report on this scrutiny. In line with our decision on 5 July, it will be the last backward-looking scrutiny report. Including the Ministry of Defence figures it shows annual costs increasing by 6.3 per cent compared with inflation of 4.7 per cent. Excluding Defence (where the comparison is still affected by Falklands costs) the cost increase was 6.9 per cent. However, if the costs of certain decisions taken centrally, rather than by individual departments, are excluded (principally changes in the basis of charging for accommodation and notional pension costs) the rate of growth was 4.3 per cent including Defence (slightly below inflation) and 5.5 per cent excluding Defence (0.8 per cent above inflation).

So far as the provision for 1985-86 is concerned, in aggregate departments are seeking an increase of 3½ per cent over 1984-85, below the expected rate of inflation. The Treasury is, as we agreed on 5 July, discussing with departments the provision they are seeking as part of the Public Expenditure Survey. The Cabinet will next have an opportunity to consider departments' running costs when I make a further report on the Public Expenditure Survey.

I am sending copies of this minute and the report to Cabinet colleagues, Lord Gowrie, Sir Robin Ibbs and Sir Robert Armstrong.

P REES

REPORT ON THE 1983-84 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The running costs of central government departments (including the armed forces and the Northern Ireland Departments) in 1983-84 were £16 billion, offset by £2 million receipts. The results of the 1983-84 scrutiny of running costs are discussed below.

TOTAL RUNNING COSTS

2. This is the fourth annual scrutiny and a run of figures is now available to show how running costs have increased since 1979-80; these are given in the table below. The figures in the first three columns are those reported last year, although the GDP deflators have been updated.

	1979-80 to 1980-81	1980-81 to 1981-82	<i>Percentages</i> 1981-82 to 1982-83	1982-83 to 1983-84
Total running costs	19.2	11.5	9.4	6.3
(excluding MOD*)	23.8	11.1	7.6	6.9
Cost per head	20.5	12.9	11.6	8.0
General inflation (GDP deflator)	18.7	9.9	6.8	4.7

* Including the armed forces distorts the figures for 1982-83, the year of the Falklands conflict, and 1983-84

Details of the 1983-84 running costs of the larger departments are given in Annex A.

3. The figures show costs increasing ahead of general inflation. However, factors outside departments control - for example changes in the basis of accommodation costs resulting from the introduction of repayment on 1 April 1983 (see paragraph 14) and the steep increase in the superannuation on cost (see paragraph 8) - are an important determinant of the size of the overall running cost increase. Not all decisions taken centrally increased costs; for example civil service pay settlements were below inflation in the years 1981 and 1982 and the national insurance surcharge has been abolished. The analysis at Annex B suggests that, even if the main centrally determined changes are excluded from the picture, running costs are increasing faster than inflation.

SAVINGS

4. In their commentaries on 1983-84 running costs Ministers have reported on areas where savings have been made. In total they have identified £20m of once off savings and continuing savings of £60m per annum. Examples are savings of £22m a year from a review of staffing allowances in the unemployment benefit

service; £12m a year in the Ministry of Defence from contracting out cleaning and catering and £4m a year in the Department of Health and Social Security by the use of a special Post Office van for collecting and delivering internal mail. Annex C gives details.

ANALYSIS BY TYPE OF EXPENDITURE

Manpower and Pay

	1982-83 £m	1983-84 £m	difference per cent
Pay - civil servants	4,633	4,769	3
- other staff (mainly armed forces)	2,809	2,989	6
- overtime and casuals	336	334	-1
- locally engaged staff	339	353	4
- other	103	115	12
National insurance	609	598	-2
Notional pensions liability	1,578	1,766	11
	<u>10,407</u>	<u>10,924</u>	<u>5</u>

5. Pay and related costs represent nearly 70 per cent of total running costs. These costs increased a little faster than the rate of inflation.

6. Pay in the civil service increased well below inflation. This reflects a fall in man-years of $2\frac{1}{2}$ per cent and pay rises of 4.85 per cent for most civil servants, and 6 per cent for senior civil servants. The pay of other staff increased above inflation although Ministers' pay increased by only $3\frac{1}{2}$ per cent; there were pay increases of 7 per cent for the armed forces and 6 per cent for senior officers.

7. National insurance decreased; the National Insurance Surcharge was reduced from $2\frac{1}{2}$ to 1 per cent during 1983-84 but this saving was partially offset by an increase of about 0.65 per cent in employers national insurance contributions.

8. Notional pensions liability increased at twice the rate of inflation. The Civil Service has an unfunded, pay-as-you-go pension scheme whose costs are not charged to departments. The pensions liability included in running costs is notional expenditure calculated as a percentage on-cost on top of the pay bill. The Government Actuary revised his on-cost (from $21\frac{1}{2}$ to 24 per cent for non-industrial civil servant and from $18\frac{1}{2}$ per cent to 21 per cent for industrials) from 1 April 1983 to reflect in part changed long term economic assumptions, and a factor to allow for deficiency payments. Most funded schemes have had to increase payments to cover deficiencies caused by poor investment performance in the 1970s.

Personnel Overheads

	1982-83 £m	1983-84 £m	Difference per cent	Difference excluding MOD per cent
Travel and subsistence	414	412	-1	9
Removals	154	150	-2	4
Training	29	40	36	38
Entertainment, catering, uniforms etc	231	241	4	7
	<u>828</u>	<u>843</u>	<u>2</u>	<u>9</u>

9. Personnel overheads account for just over 5 per cent of running costs. The increase in these costs for all departments between 1982-83 and 1983-84 is distorted by high expenditure in 1982-83 in the Ministry of Defence because of the Falklands conflict. The discussion below focuses mainly on figures excluding the Ministry of Defence.

10. Travel and subsistence accounts for about half of personnel overheads. For all departments except the Ministry of Defence expenditure has increased at nearly twice the rate of inflation. There were particularly high increases in travel costs in 1983-84 in the following departments:

the department of Energy; because of the Sizewell Inquiry and increased export promotion work by the Offshore Oil Supplies Office.

the department of Employment; because of increased staff training in the unemployment benefit service and increased activity by Industrial Tribunals and regional benefit investigation teams.

the Manpower Services Commission; mainly due to the expansion of programmes such as the Youth Training scheme.

the Home Office; mainly because of the dispersal of staff to Bootle.

11. Removal costs increased well below inflation. Customs and Excise actually reduced expenditure on this item following the introduction of a new transfer system. Expenditure in the Manpower Services Commission decreased because their 1982-83 removal costs were exceptionally high due to the department's move to Sheffield as part of the Government's dispersal programme.

12. Training expenditure is less than 1 per cent of running costs. The considerable increase (36 per cent or £11m) is mainly due to the introduction of repayment by the Civil Service College but also reflects increased demand, for example on audit and computer courses.

13. 95 per cent (£260m) of expenditure on entertainment, catering support and protective clothing is spent by four departments: the Ministry of Defence, the Department of Health and Social Security, the Home Office and the Foreign and Commonwealth Office. Overall expenditure for all departments except the Ministry of Defence increased above the rate of inflation. In the Home Office the increase was 29 per cent (£0.8m) reflecting payments for the use of Post Office/British Telecom restaurants and for protective clothing and messengers uniforms previously provided without repayment on an allied service basis. In the Foreign and Commonwealth Office expenditure fell by nearly 4 per cent (£0.1m) because the cost of overseas entertainment fell as a result of exchange rate changes.

Accommodation

	1982-83 £m	1983-84 £m	Difference per cent
PSA accommodation costs	813	911	12
Non-PSA accommodation costs	1,548	1,733	12
Notional accommodation costs	25	15	-40
	<u>2,386</u>	<u>2,659</u>	<u>11</u>

14. Accommodation costs are just over 16 per cent of running costs. They have apparently increased at about twice the rate of inflation. However, from 1 April 1983 PSA introduced repayment for property services. Figures for 1982-83 are, therefore, not on the same basis as those for 1983-84 and no direct comparison can be made for PSA accommodation costs. 90 per cent (£1,736m) of non-PSA accommodation costs were incurred by the Ministry of Defence. Expenditure increased on new work including projects in the South Atlantic, at AWRE Foulness and in the dockyards, and on maintenance. There were also additional costs arising from the redeployment of the 2nd Armoured Division from Germany and a change in the method of assessing water rates. Notional accommodation costs reduced as more repayment was introduced.

Office Services

	1982-83 £m	1983-84 £m	Difference per cent
Postage	134	138	3
Telecommunications (current expenditure)	201	221	10
Stationery, printing and binding	134	137	2
Computer hire	14	19	36
Computer maintenance	33	44	33
Office machinery (current expenditure)	37	39	5
Publicity and advertising	60	71	18
Publications and library services	20	23	15
Vehicles, IDS and Government car services	7	14	100
Other office services	55	82	49
	<u>695</u>	<u>788</u>	<u>13</u>

15. Office services account for nearly 5 per cent of running costs: they have increased at nearly three times the rate of inflation.

16. The costs of postage increased at less than the rate of inflation despite increased use of the service by the Department of Employment to pay more unemployment claims and job release scheme payments and by the Department of Transport to notify larger numbers of drivers of their test dates. Expenditure in the DHSS increased by only 1 per cent (£0.5m) as a result of more efficient arrangements for bulk postage and presorting of mail and in the Inland Revenue spending fell by 3 per cent (£0.6m) following the change to public postal methods (pre-paid envelopes were exchanged for credits from the Post Office). Departments saved expenditure on postage by transferring more correspondence from the public postal system to Datapost and Roadline Services and negotiating keener prices for Post Office services.

17. Current expenditure on telecommunications rose by 10 per cent (£20m) in 1983-84 because departments are investing in efficient equipment with a view to making savings in later years. For example the Ministry of Defence introduced new exchanges and telebrief and telecramble systems and departments installed telephone logging equipment. The Manpower Services Commission incurred extra expenditure in setting up the Training Directorate Area Office network by merging the old Training Services and Special Programme Directorate. (Capital expenditure on telecommunication is discussed in paragraph 28. Leasing equipment is charged to current expenditure and purchasing equipment is charged to capital expenditure).

18. Expenditure on stationery, printing and binding increased by less than the rate of inflation. Three departments, the Ministry of Defence, Department of Health and Social Security and the Inland Revenue account for 50 per cent (£66m) of this expenditure. In the Ministry of Defence expenditure fell by 9 per cent after peaking in 1982-83 as a result of restocking following the moratorium on expenditure introduced in 1980-81 to contain cash limit overspend. The Department of Health and Social Security and Inland Revenue reported modest increases of 3 per cent (£0.7m) and 2 per cent (£0.2m) respectively.

19. Current expenditure on computer hire and maintenance continues to rise steeply as greater use is made of computer technology. In addition to the maintenance and software costs arising from the installation of new hardware, more micro and mini computers are being used and more use is being made of computer bureaux, for example in the Ministry of Defence, the Department of Education and Science and the Manpower Services Commission. 13 per cent of the planned manpower savings to 1 April 1988 are attributed to introducing new technology.

20. Current expenditure on office machinery increased at about the rate of inflation.

21. Expenditure on publicity and advertising increased much faster than inflation (18 per cent or £11m). Much of the increase was accounted for by a few departments. The Department of Trade and Industry incurred high publicity costs for its campaign to promote Information Technology. The Ministry of Defence advertised extensively for specialist staff. The Home Office increased advertising to recruit more prison officers and costs increased for the Department of National Savings because of the need to advertise new products and interest rate changes.

22. Expenditure on publications and library services rose by 15 per cent (£3m) in part because prices increased.

23. The large increase in costs (100 per cent or £7m) for the Interdepartmental Despatch Service and Government Car Service reflects the introduction of repayment for these services. Also the major part of the increase in other office services was due to the introduction of repayment for PSA custody guards and conference facilities.

Other Services

	1982-83 £m	1983-84 £m	Difference per cent
Post Office, Giro and bank services	380	388	2
Fees for contracted out services	241	295	22
Payments to other departments	165	156	-5
	<u>786</u>	<u>839</u>	<u>7</u>

24. Other services account for just over 5 per cent of running costs. Expenditure has increased above the rate of inflation.

25. Post Office, Giro and bank services account for just under half of this expenditure. 70 per cent (£280m) of the expenditure is fees paid by the Department of Health and Social Security to the Post Office and National Giro for encashment of order books and giros. An increase significantly less than the rate of inflation has been achieved, partly by encouraging beneficiaries to change to monthly payments or to automatic credit transfer and partly by negotiating low price increases with the Post Office.

26. More work is being contracted out in line with Government policy and accordingly expenditure increased by 22 per cent (£54m). 2,500 civil service posts were saved from contracting out in 1983-84; the savings will be scored under pay and related costs (see paragraphs 5 to 8).

Capital Expenditure

	1982-83 £m	1983-84 £m	Difference per cent
Land and buildings	115	145	26
Vehicles	4	4	0
Telecommunications	14	15	7
Office machinery	9	14	55
Computers	67	89	33
Other	50	62	24
	<u>259</u>	<u>329</u>	<u>27</u>

27. Capital items such as buildings and vehicles are replaced as the need arises and expenditure varies considerably from year to year. For this reason comparison between one year and the next is not particularly useful and capital expenditure is not included in the running cost analyses in paragraph 2.

28. The Ministry of Defence and the Home Office account for 85 per cent (£120m) of expenditure on land and buildings. The Ministry of Defence have increased expenditure on the building and improvement of service married quarters and on major land purchases (due to expansion of the Barrow in Furness shipyard for Trident and establishing a new Gurkha camp at Kathmandu). Increased Home Office spending is on the prison estate. Expenditure on telecommunications, office machinery and computers has increased. This reflects the purchase of new and more efficient equipment, for example for logging telephone calls. More office machinery and computers have been bought, for example in the Department of Health and Social Security for the unemployment benefit system.

Receipts

29. Because receipts can be volatile running costs are analysed gross and receipts are not included in the running costs analysis in paragraph 2. They comprise:-

- (a) payments from external customers (£1114m)
- (b) payments from other departments (£919m)
- (c) the cost of services provided to other departments on an allied service basis where the cost is borne on the supplying departments vote (£231m)

In 1983-84 receipts totalled £2263m - an increase of 15 per cent over the previous year.

COST OF PREPARING THE REPORT

30. A broad estimate of the cost of the staff time used in the Treasury and departments in gathering and processing the information for this report is £200,000.

CONCLUSIONS

31. Running cost represent about 13 per cent of public expenditure and a 20 per cent overhead on expenditure by central Government (excluding the NHS). From 1982-83 to 1983-84 the costs increased faster than general inflation. There is a continuing need to seek to achieve tighter control.

GROSS RUNNING COSTS - 1983-84 FORECAST OUTTURN

ANNEX A

	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	84.8	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	8.6	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 CISC0)	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	0.8	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	0.8	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	816.5	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	382.4
TOTAL ALL DEPARTMENTS	10923.4	68.1	842.5	5.2	2658.8	16.6	785.9	4.9	839.3	5.2	16049.9

NE 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.

ANALYSIS OF RUNNING COSTS FOR 1981-82 TO 1983-84

Tables 1 and 2 show how running costs have changed between 1981-82 and 1983-84. Figures are from the 1982-83 and 1983-84 scrutinies of running costs. All figures are outturn or forecast outturn. The Falklands conflict led to an exceptional increase in the Ministry of Defence running costs for 1982-83 and distorts all comparisons with this year. For this reason two tables have been prepared: Table 1 shows running costs for all departments and Table 2 costs for all departments excluding the Ministry of Defence. The discussion below relates mainly to Table 2 because these figures give a better picture of changes.

2. The tables show that total pay costs increased at much the same rate as inflation but gas increased by almost twice as much as inflation. The net effect is total running costs increasing faster than inflation.

3. Centrally determined factors which have affected running costs are shown in the tables, with their approximate effect on total running costs. These factors are of two kinds:

- (a) the basis of charging for accommodation changed over the period 1981-82 to 1983-84. For this reason a line in the tables shows running costs excluding accommodation. This shows in most cases an increase lower than for total running costs, but still well above inflation. (The exception is in Table 1 for 1982-83 to 1983-84 where the figures are distorted by Falklands related expenditure in 1982-83.)
- (b) central 'price' changes, outside departments control, affect the figures. There are a variety of such central changes, pay settlements, the reduction in the national insurance surcharge, the increase in national insurance contributions (for 1983-84 only) and the increase in the notional pensions on-cost. The net effect of all these changes is that the increase in running costs are understated for 1982-83 but overstated for 1983-84.

4. Two conclusions can be drawn from this analysis. First, steep increases in expenditure on gas cause the running costs total to increase faster than inflation. Secondly, after all centrally determined factors accommodation costs, which are not on a comparable basis, are taken into account and running costs continue to rise faster than inflation.

Table 1

DEPARTMENTAL RUNNING COSTS

	1982-83 SCRUTINY			1983-84 SCRUTINY		
	1981-82 £M	1982-83 £M	% INCREASE 1981-82 to 1982-83	1982-83 £M	1983-84 £M	% INCREASE 1982-83 to 1983-84
<u>Running Costs</u>						
Voted Pay	8,382	8,834	5.4	8,830	9,157	3.7
Notional Pensions	1,450	1,594	9.9	1,578	1,766	11.9
Total Pay Costs	9,833	10,429	6.1	10,408	10,923	5.0
Personnel Overheads	636	821	29.0	828	843	1.8
Accommodation	2,028	2,404	18.5	2,386	2,659	11.4
Voted Office Services	6,019	7,031	16.8	660	744	12.8
Other Services	644	680	5.6	787	839	6.6
Total GAE	3,717	4,387	18.0	4,695	5,127	9.2
Total running costs	13,893	15,197	9.4	15,103	16,050	6.3
Total running costs excluding accommodation	11,865	12,793*	7.8*	12,717*	13,391	5.3**
<u>Price changes</u>						
Pay settlement - Civil Service			5.9			4.85
Armed Forces			6.1			7.2
National Insurance surcharge	3½%	2%	-1.5% on pay	2%	1.2%	-0.8% on pay
National Insurance Contributions			-			+0.65 on pay
Notional pensions - non ind.	20%	21.5%	+1.5% on pay	21.5%	24.0%	+2.5% on pay
on cost - ind.	16.5%	18.5%	+2% on pay	18.5%	21.0%	+2.5% on pay
<u>Approx effect of price changes on running costs total</u>						
Pay			-0.6			+0.6
National Insurance surcharge			-0.9			-0.5
National Insurance Contributions			0			+0.4
Notional pensions			+0.7			+0.9
Total running costs excl. accom. & corrected for price changes			8.6			4.3
GDP deflator			6.8			4.7
Civil Service Manpower rundown	648,500	630,700	-2.7	630,700	611,800	-3.1

* the effect of the Falklands conflict is that figures starred * are abnormally high because of exceptional expenditure in 1982-83, and the figure starred ** is abnormally low because it is compared with the high 1982-83 expenditure.

Table 2

DEPARTMENTAL RUNNING COSTS EXCLUDING MINISTRY OF DEFENCE

	1982-83 SCRUTINY			1983-84 SCRUTINY		
	1981-82 £M	1982-83 £M	% INCREASE 1981-82 to 1982-83	1982-83 £M	1983-84 £M	% INCREASE 1982-83 to 1983-84
<u>Running Costs</u>						
Voted pay	3,789	3,996	5.5	3,980	4,119	3.5
Notional Pensions	599	672	12.2	658	761	15.6
Total pay costs	4,388	4,669	6.4	4,638	4,880	5.2
Personnel Overheads	205	228	10.9	225	245	9.0
Accommodation	782	886	13.3	904	1,003	11.2
Voted Office Services	447	517	15.7	481	533	10.6
Other Services	603	620	2.9	616	674	9.4
Total GAE	2,098	2,313	10.2	2,254	2,490	10.5
Total running costs	6,486	6,982	7.6	6,892	7,370	6.9
Total running costs excluding accommodation	5,704	6,096	6.9	5,988	6,367	6.3
<u>Price changes</u>						
Pay settlement - Civil Service			5.9			4.85
National Insurance surcharge	3.2%	2%	-1.5% on pay	2%	1.2%	-0.8% on pay
National Insurance Contributions			-			+0.65 on pay
Notional pensions - non ind.	20%	21.5%	+1.5% on pay	21.5%	24.0%	+2.5% on pay
On cost - ind.	16.5%	18.5%	+2% on pay	18.5%	21.0%	+2.5% on pay
<u>Approx effect of price changes on running costs total</u>						
Pay			-0.7			+0.1
National Insurance surcharge			-0.9			-0.5
National Insurance Contributions			0			+0.4
Notional Pensions			+0.5			+1.2
Total running costs excl. accom. & corrected for price changes			8.0			5.5
GDP deflator			6.8			4.7
Manpower rundown	445,400	436,800	-1.9	436,800	425,400	-2.6

DEPARTMENT

Ministry of Agriculture, Fisheries and Food

EXAMPLE OF SAVINGS

Total saving of £2.15M per annum have been identified. These comprise:

- £20,000 from new computerised system for journals circulation and management
- £2,000,000 from reductions in accommodation space
- £100,000 by adopting cheaper forms of postage for advisory literature and other postage economies
- £28,000 from negotiation of commission for prompt settlement of British Airways accounts.

In addition savings are expected from a variety of other measures including Rayner and other reviews; privatising or contracting out cleaning services, seed testing work, maintenance of the national collections of marine and industrial bacteria, commercial artificial insemination, security services and exhibition and display work; centralised control over replacement and maintenance of official vehicle fleet telephone extension logging and extension of use of government telephone network.

Cabinet Office

Total savings of £190,000 per annum have been identified. These comprise:

- £100,000 from increasing potential recruits contributions to travel costs
- £90,000 from privatising domestic services at the Civil Service College

In addition a review of arrangements for making overseas travel bookings should reduce costs.

Total savings of £43,000 per annum have been identified. These comprise:

- £17,000 from reducing the number of agency typists employed
- £16,000 from changing from weekly to monthly pay by bank transfer
- £10,000 from installation of automatic exchange.

Customs and Excise

Total savings of £168,000 per annum have been identified. These comprise:

- £145,000 from reducing use of PSA security guards
- £23,000 by making more use of Datapost and Roadline services and negotiating keener prices for these contracts.

Department of National Savings

Once off saving of £130,000 from sale of surplus land and continuing savings of £20,000 per annum as a result of going out to tender for clearing bank services. In addition savings are expected from computerisation and various measures to reduce PO agency charges.

Inland Revenue

Total savings of £2.5M per annum have been identified. These comprise

- £2,500,000 from local office rationalisation programme
- £15,000 by employing private vehicle fleet management specialists

Ministry of Defence

Total savings of £21.5M per annum identified. These comprise:

- £12M from contracting out cleaning and catering
- £2M from comprehensive RN stores inventory system
- £4M from closure of some boarding schools and rationalisation of school transport facilities.
- £2.5M as a result of reorganisation of Army's freight distribution system.

Ministry of Defence (continued)

£1M from relocating training courses

Once off savings of £20.05M have also been identified. These comprise:

£5.7M over ten years from contracting out traffic accident business and handling of employers' liability claims

£2.5M as a result of review of support functions in R&D Establishments

£3.75M from group incentive bonus scheme

£2.1M over ten years from introduction of additional computer hardware for centralised bank payment system for airmen.

£6M over five years from installation of more micro computers

Employment Group

Total savings of £24.81M per annum have been identified. These comprise

£600,000 from staff inspection up to

£22,000,000 from review of staffing allowances in unemployment benefit service

£700,000 from review of training costs

£60,000 from bringing some printing work in house

£25,000 from economies in use of business reply stationery

£280,000 from extending use of microcomputers

£1,000,000 from new system of producing employment statistics

£120,000 from change to standard payroll system

£25,000 from review of supply of periodicals

Foreign and Commonwealth Office

Total saving of £450,000 per annum have been identified. These comprise:

£439,000 from review of passport office

£11,000 on stationery and office supplies.

Overseas Development Administration

Savings of £9,000 per annum from privatisation of press cutting service.

Lord Chancellor's Department

Savings of £7,500 per annum from use of British Rail "Travel Key" facilities.

Paymaster General's Office

Savings of £60,000 per annum from connection to government telecommunications network.

Northern Ireland Office

Savings of £750,000 per annum from introduction of a rota attendance system for the Civilian Search Unit and once off savings of £308,000 from use of civil instead of RAF, flights for Ministers.

Scottish Departments

Total savings of £2.5M per annum have been identified. These comprise:

£1,200,000 in pay and accommodation costs.
£50,000 from reduction in postal costs
£900,000 on periodical circulation
£350,000 from change to contract cleaning

Department of Health and Social Security

Total savings of £7.9M per annum have been identified. These comprise

£385,000 from a change in the procedures for screening claims for renewal of Attendance Allowance
£4,000,000 from use of a special Post Office van for collection and delivery of mail
£250,000 by ending automatic notification of non-entitlement to retirement pension
£2,500,000 from new arrangements for bulk postage and for pre-sorting of mail
£750,000 from computerisation of general alphabetical index of contributors at Newcastle.

In addition savings have been made from reduction in the number of regional offices and from the introduction of a postal claims form for supplementary benefit.

Department of Trade and Industry

Total savings of £468,000 per annum have been identified. These comprise

£173,000 with further firm savings in view of £690,000 from review of support services at research establishments.
£295,000 from contracting out cleaning, data preparation and security.

Export Credit Guarantee Department

Savings of £50,000 per annum from reduction in expenditure on postage resulting from use of franking equipment.

Other Departments

Total savings of £123,000 per annum have been identified. These comprise:

£65,000	from installation of new switchboard
£27,000	resulting from purchase of word processor
£30,000	from reduction in private office staff.

In addition savings have been made from using British Rail "Travel Key" scheme; purchase of micro-computers; from introduction of telephone logging and from computerisation.

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