## Costing and Efficiency

- 1. Attached is the annual schedule of "all-in" staff costs covering the year 1964/65. The schedule is now used fairly widely throughout the department and it may be helpful to repeat some of the more important general points made in the covering note that was issued with the first schedule in February 1960.
- 2. These were as follows:-

"It is often impossible to quantify the output of an administrative activity and therefore difficult to judge whether it is worth its cost. Moreover, different ways of attaining an object do not produce equally satisfactory results. Nevertheless costs in terms of money may throw some light on relative values and stimulate investigation which may lead to increased efficiency.

It is already the practice of the O. & M. branch to consider costs in appropriate cases in the course of its assignments. O. & M. cannot, however, cover the whole field and it must remain the direct responsibility of every officer of the Department in a supervisory position to consider whether each activity under his direction is necessary and worth the cost, and whether less costly alternatives would be acceptable.

It is not intended that full scale or continuous costing of administrative activities should be attempted, and before any costing is started, the precise purpose for which the costs are required should be established. If the purpose is to see whether the cost of a departmental service compares favourably with the charge which would be made by outside firms, the total cost of the departmental activity in question will be required. If, on the other hand, it is to decide whether a particular job should be put out to contract, normally only those costs which would be saved thereby have to be established. In practice, more use is likely to be made of basic staff costs plus stationery and G.P.O. charges and other selected overheads as appropriate, than of total cost.

It should be worthwhile for every officer in a managerial position to work out the cost of the team under his control. The knowledge of total cost may in itself provide a stimulus to economy. It may also suggest a need for segregation of costs to individual fields of activity as a basis for considering the necessity or importance of each in relation to cost. The circumstances will vary from branch to branch and each manager should decide for which of his activities a cost study is likely to be most rewarding.

An important point for consideration is whether the overall efficiency i.e. the ratio of output to cost - could be increased by a change in the staffing pattern. There has been a tendency in the past to pay more attention to the total number of staff employed than to their total cost, with the result that there has been little direct incentive to 'managers' to ensure that all the medium and higher grades are fully employed on appropriate work. Careful study of this point might indicate, for example, that efficiency would be improved without overall increase in cost by employing as additional clerk or assistant to replace Scientific, Executive or Experimental staff engaged on routine duties".

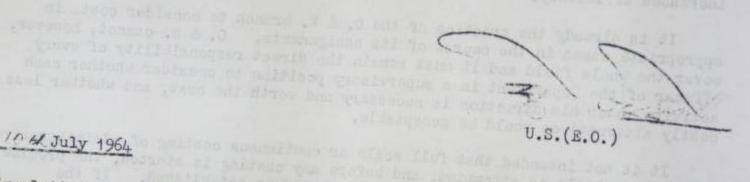
3. The Treasury, who first advocated the preparation of the "all-in" schedule, still maintain a lively interest in the subject and state in their most recent letter that reports they have received from various departments indicate that costing exercises are likely to be most rewarding when applied to the following types of activity.



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- Assessing fees and recoverable charges.
- (b) Comparing direct costs with contractor's charges.
- (c) Comparing costs of alternative methods of document reproduction.
- Considering mechanisation proposals. (d)
- (e) Assessing the value of statistical and other records.
- (f) Testing the value of checking.
- Comparing the costs of central and local organisations.
- As in earlier years I would like heads of branches to keep A.S./O. & M. informed of any new applications which they have found for administrative costing, or of any significant results which have been achieved by previous ones. of heaf you delike goldanicaover statustie



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## Notes on the attached Schedule of "all-in" Staff Costs

The schedule gives costs for various non-industrial grades at H.Q. It is based on the Civil Estimates for 1964-65 supplemented by information from the Establishment Branches and all figures are rounded to the nearest £5 (except for total cost per day - column 8).

Column 2 This gives the average salary of the grade at headquarters as at 1st April 1964. Separate averages for each grade are computed by Establishment Branches for posts in their complementing field and these averages are used in the preparation of Estimates. In case of difficulty in assessing the average salary applicable to grades or areas not dealt with in the schedule, the appropriate Establishment Branch should be consulted.

Columns 2(a) and 2(b) These give pay and allowances etc. based on the 1963/64 capitation rates for R.A.F. Officers. The "allowances etc." comprises:- marriage allowance, London allowance, ration allowance, education allowance and medical services costs. 0.M.1(c) should be consulted if figures are required for other ranks of Service Officers.

Column 3 This includes superannuation at 20% of salary for civilians, and 25% of basic pay for R.A.F. Officers. £30 per head is included for Employer's National Insurance Contribution.

Column 4 This is the total of columns 2 and 3.

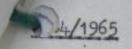
Column 5 This covers rent, heating, rates and cleaning and has been allocated on the basis of salaries and wages. Although this basis, adopted for simplicity, is adequate generally it may be necessary to substitute a more realistic estimate for special costing purposes - e.g. where comparative costs are required for housing a purpose at Headquarters or at a provincial centre. The charge, which amounts to 18%, applies generally to Headquarters buildings but not to Research and Experimental Establishments, Aerodromes, or Royal Ordnance Factories in the cost records of which special assessments for accommodation are used. For R.A.F. Officers, an appropriate assessment has been made.

Column 6 Stationery and Post Office charges are included on the basis of H.M.S.O. and G.P.O. annual charges, allocated per capita over all staff from C.O. upwards.

D.C.S.O. 4,035 S.P.S.O. 24 3,485 S.P.S.O. P.S.O. 2,725 19 P.S.O. S.S.O. 14 1,875 S.S.O. S.O. 1,360 11 S.0. C. Exp. 0. 2,630 19 C. Exp. 0. S. Exp. 0. 16 2,155 S. Exp. 0. Exp. 0. 1,520 12 Exp. O.

Grade	Average Salary or Wages	Superannuation and National Insurance	Basic Cos
Col. 1	Col. 2	Col. 3	Col. 4
	£	£	£
Est. 1 Field			
U.S.	4,765	985	5,750 4,550
A.S. Principal	3.765 2,610	785 550	3,160
Director	4,315	895	5,210
P.E.O.	3,535	740	4,275
S.C.E.O.	3,035	640	3,675
C.E.O.	2,575	545 450	3,120 2,550
S.E.O.	2,100 1,600	350	1,950
H.E.O. E.O.	1,140	260	1,400
C.O.	850	200	1,050
C.O./Sec.	980	225	1,205
C.A.	650	160	810 1,470
C.M.O.	1,200	270 205	1,075
S.M.O. M.O.	660	160	820
M.A.	625	155	780
Est. 2/3 Field			
Director General	4,665	965	5,630
Director (Eng.)	3,980	825	4,805
A.D. (Eng.)	3,540	740	4,280
Eng. I	2,665	565	3,230
Eng. II	2,135	455 360	2,000
Eng. III T.G.A.	1,990	430	2,420
T.G.B.	1,820	395	2,215
T.G.I	1,570	345	1,915
T.G.II	1,270	285 840	1,555
D.C.S.O. S.P.S.O.	4,035	730	4,215
P.S.O.	2,725	575	3,300
S.S.O.	1,875	405	2,280
S.O.	1,360	300	1,660
C. Exp. O.	2,630 2,155	555 460	3,185 2,615
S. Exp. 0. Exp. 0.	1,520	335	1,855

\*Individual elements are:- Common Ser Stationery General Ov



Grade	Average Salary	Superannuation and National Insurance	Basic Cost	Act 189				
Col. 1	Col. 2	Col. 3	Col. 4					
Est. 5 Field	£	£	£					
Director (Operations) Deputy Director (Operations) Operations Officer I Operations Officer II Chief A.T.C.O. Deputy Chief A.T.C.O. Senior A.T.C.O. A.T.C.O.II Chief Tels. Engineer Deputy Chief Tels. Engineer Assistant Chief Tels. Engineer Senior Signals Officer Signals Officer Assistant Signals Officer T.T.O.II T.T.O.II	3,965 3,325 2,265 1,730 3,540 3,325 2,800 2,305 2,100 4,315 3,965 3,540 2,665 2,105 1,570 1,700 1,470	825 695 485 375 740 695 590 490 450 895 825 740 565 450 345 370 325	4,790 4,020 2,750 2,105 4,280 4,020 3,390 2,795 2,550 5,210 4,790 4,280 3,230 2,555 1,915 2,070 1,795					

\*Individual Elements are:- Common Se Stationer General O

## Schedule of "all-in" St

	Pay etc.		Superannuation	
	Basic Pay	Allowances etc.	and National Insurance	Basic cost
	Col. 2(a)	Col. 2(b)	Col. 3	Col. 4
	£	£	£	£
Air Vice-Marshal	3,540	1,165	915	5,620
Air Commodore	2,800	1,020	730	4,550
Group Captain	2,515	905	660	4,080
Wing Commander	1,970	905	520	3,395
Squadron Leader	1,530	845	415	2,790

Individual Elements are:- Common Ser Stationery General Ov