HZ/215/01

1964/65

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.

/(a)

(a) Assessing fees and recoverable charges.

(b) Comparing direct costs with contractor's charges.

(c) Comparing costs of alternative methods of document reproduction.

(d) Considering mechanisation proposals.

(e) Assessing the value of statistical and other records.

(f) Testing the value of checking.

(g) Comparing the costs of central and local organisations.

4. 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.

U.S.(E.O.)

10th July 1964

Circulation: Assistant Secretaries, Directors and above.

E97a

1964/1965 HZ/215/01

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. O.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 branch 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.

/General

.....	4,035	27	D.C.S.O.
S.P.S.O.	3,485	24	S.P.S.O.
P.S.O.	2,725	19	P.S.O.
S.S.O.	1,875	14	S.S.O.
S.O.	1,360	11	S.O.
C. Exp. O.	2,630	19	C. Exp. O.
S. Exp. O.	2,155	16	S. Exp. O.
Exp. O.	1,520	12	Exp. O.

1964/1965

Schedule of "all-in"

Grade Col. 1	Average Salary or Wages Col. 2	Superannuation and National Insurance Col. 3	Basic Cost Col. 4
	£	£	£
Est. 1 Field			
U.S.	4,765	985	5,750
A.S.	3.765	785	4,550
Principal	2,610	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	3,120
S.E.O.	2,100	450	2,550
H.E.O.	1,600	350	1,950
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
C.M.O.	1,200	270	1,470
S.M.O.	870	205	1,075
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	2,590
Eng. III	1,640	360	2,000
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	1,555
D.C.S.O.	4,035	840	4,875
S.P.S.O.	3,485	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	555	3,185
S. Exp. O.	2,155	460	2,615
Exp. O.	1,520	335	1,855

*Individual elements are:- Common Ser
Stationery
General Ov

4/1965

Schedule of "all-in"

Grade Col. 1	Average Salary Col. 2	Superannuation and National Insurance Col. 3	Basic Cost Col. 4	Acc 18%
	£	£	£	
Est. 5 Field				
Director (Operations)	3,965	825	4,790	
Deputy Director (Operations)	3,325	695	4,020	
Operations Officer I	2,265	485	2,750	
Operations Officer II	1,730	375	2,105	
Chief A.T.C.O.	3,540	740	4,280	
Deputy Chief A.T.C.O.	3,325	695	4,020	
Senior A.T.C.O.	2,800	590	3,390	
A.T.C.O.I	2,305	490	2,795	
A.T.C.O.II	2,100	450	2,550	
Chief Tels. Engineer	4,315	895	5,210	
Deputy Chief Tels. Engineer	3,965	825	4,790	
Assistant Chief Tels. Engineer	3,540	740	4,280	
Senior Signals Officer	2,665	565	3,230	
Signals Officer	2,105	450	2,555	
Assistant Signals Officer	1,570	345	1,915	
T.T.O.I	1,700	370	2,070	
T.T.O.II	1,470	325	1,795	

*Individual Elements are:- Common Se
Stationer
General O

Schedule of "all-in" St

Rank Col. 1	Pay etc. Basic Pay Col. 2(a)	Pay etc. Allowances etc. Col. 2(b)	Superannuation and National Insurance Col. 3	Basic cost 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

Ø Individual Elements are:- Common Ser
Stationery
General Ov
Training