PO-CH/NL/0270

PARK A

Part. A.

**SECRET**

(Circulate under cover and
notify REGISTRY of movement)

Begins: ~~18/9/88~~ 8/5/87.
Ends: 2/11/88.

PO -CH /NL/0270

PART A

Chancellor's (Lawson) Papers:

SHORTAGE OF PROFESSIONAL
VALUERS AT THE INLAND
REVENUE VALUATION OFFICE

Disposal Directions: 25 Years

11/10/95.

PO -CH /NL/0270
PART A

5-14

Yes: defer & [illegible] (no chance of getting Mr Ridley's agreement now) when we will [illegible] have to propose on a [illegible] 1 Aug basis.

M.

CONFIDENTIAL

FROM: M C SCHOLAR
DATE: 8 MAY 1987

FINANCIAL SECRETARY

cc Chancellor of the Exchequer
Chief Secretary
Economic Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Hawtin
Mr Potter
Miss Sinclair or
Mr Fellgett
Mr Haigh
Mr Cropper

28

Ch/ I think FST raised this at Prayers? Was anything decided?

[illegible] 11/5

**VALUATION OFFICE: RUNNING COST SAVINGS AND RIGHT TO BUY (RTB)**

Mr Houghton's minute of 6 May sets out some of the options for savings in the Valuation Office which were considered briefly at your meeting with Mr Battishill on 5 May.

2. Given the pressures on the Revenue's running cost limit we have already argued (my minute of 29 April) that you should try to secure the maximum possible savings from the Valuation Office. FP therefore supports Mr Houghton's proposal that the Chancellor should write to Mr Ridley, and I attach some suggestions for expanding his draft (retyped version attached).

3. But I must record that our colleagues in LG do not share our enthusiasm for this course. They note that if local authorities can no longer obtain free valuations from the Valuation Office their costs will rise, and they will object to these additional costs being placed on them, particularly in the middle of a financial year after they have set their budgets and rates. As part of the "new burdens" policy, the Chief Secretary and Mr Ridley have argued that additional costs placed on local authorities by central government should be covered by a transfer of public expenditure provision from the Government Department involved. LG think that Mr Ridley is likely to argue strongly against the proposed savings in the Valuation Office, and that it is very awkward for Treasury Ministers to put forward the

proposal without indicating that a charge on the Reserve will be acceptable, or a PES transfer from the Inland Revenue.

4. The argument against this is that it is desirable to get this work done outside central government, and outside the public sector if possible; and that there can be no question of providing extra funds to local authorities for 1987-88. You will no doubt wish to consult the Chief Secretary before reaching a conclusion on the point.

5. You also asked us to pursue the suggestion that local authorities should be charged for the Valuation Office's valuations, and that these receipts should be netted off the Revenue's running costs. We have done so, in consultation with our colleagues who are responsible for the running costs system (RC Group).

6. The Chief Secretary has accepted that running cost controls may sometimes be operated net of some particular fee-paid activity. But the criteria are tight: the excluded activity must relate to a distinct operation (so that proper fee levels can be monitored, and resource inputs can be adequately controlled), and there needs to be a satisfactory system for measuring and monitoring performance, to provide as stringent a spur to productivity as would have been provided by the gross running costs control. But RTB cases are no different from the many other valuation cases handled by the same staff which would remain within gross running cost control. So there seems no prospect of adequately ring-fencing this activity from the rest of the Valuation Office's work.

7. Furthermore, even if we could agree to net control, we would have to start by reducing the present running-cost limit to reflect the resources currently allowed for this work. That would, of course, leave us no further forward with the quest for savings on this year's running costs.

8. In any event, timing is a problem. I agree with Mr Houghton that we could not set up a charging regime in time to deliver worthwhile fee income this year. So this suggestion does not appear to offer a solution to our present problem

MCS

M C SCHOLAR

CONFIDENTIAL

Draft

Rt Hon Nicholas Ridley MP
Secretary of State
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

**ROLE OF VALUATION OFFICE IN RIGHT TO BUY LEGISLATION**

As you may recall, there was some correspondence between Rhodes Boyson and Ian Stewart on this topic last year in the context of possible reductions in Valuation Office running costs as part of the 1986 PES round.

Since then pressures on Inland Revenue running costs in the current year have considerably intensified. I am sure you will understand the importance I attach to containing this expenditure within its limit. I have accordingly asked the Revenue to look for all possible savings, in all their operations, including the Valuation Office.

All the options for reducing costs without specific function costs have been reviewed but these savings do not go far enough. Some reductions in functions in time to have an effect on running costs in the current year are unavoidable. Our conclusion is that it will be necessary for the Valuation Office to cease to provide services to local authorities on the <u>initial</u> valuation in right to buy cases with effect from 1 July 1987. The statutory position of the District Valuer as arbiter under section 128 of the Housing Act 1985 will not be affected. Nor will cases currently in the pipeline, or received by 1 July 1987, be affected.

I know that you expressed reservations about this change when it was discussed last year. Since then the Revenue's running cost problems have become much more serious, and I have concluded that we can no longer afford to set aside this saving. Furthermore, the loss of Valuation Office staff and the difficulties of recruitment have also become more serious in recent months and this change should help to reduce pressure on Valuation Office resources, and so allow them to achieve a better performance of the non-domestic revaluation. I understand that over half of local authorities already carry out RTB work without involving the District Valuer, by using their own resources or those of the private sector, and I see positive advantage in reducing civil service running costs by requiring more work to be done by the private sector - in line with our general policies on reducing the size of the public sector.

I am sorry that I have only been able to give you limited notice but we must maximise the savings which can be achieved in the current year. I would be grateful if you could let me know as soon as possible that you will be able to issue the necessary advice to local authorities so that the Valuation Office can withdraw its services from 1 July.

NIGEL LAWSON

42/2.BTW.4368/18 SECRET

6f. 204 Ch. Do you just want Ministers only at this meeting?

FINANCIAL SECRETARY TO THE TREASURY

**FROM: FINANCIAL SECRETARY**
**DATE: 18 April 1988**

**CHANCELLOR**

Ch. A nasty one. Points for decision in paras 17/18 - if you agree, FST to write? 18/4

PSR S/R for a small mtg (CST, FST & PMG) early next week. 18/4

cc Chief Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Phillips
Mr Hawtin
Mr C W Kelly
Mr Potter
Miss Sinclair
Mr Cropper
Mr Tyrie
Mr Isaac IR
Mr Fallows VO
PS/IR

No. Kelly, Tyrie & IR officials as well.

FST → CH/EX 18/4

**VALUATION OFFICE: SHORTAGE OF PROFESSIONAL VALUERS**

You will have seen the Chief Valuer's minute of 15 April. This raises very serious issues and was most unexpected. Apparently, these issues will not come as so much of a surprise to DoE Ministers, but nonetheless the need for urgent legislative action will not be at all welcome to them. I would imagine that you may need to meet Nicholas Ridley to reach agreement.

2. What is being suggested is that, inter alia, DoE Ministers should amend the Local Government Finance Bill (at Report Stage in the Lords) either to curb ratepayers' rights of appeal or the Valuation Office's right of "proposal" (or both). My own view is that DoE Ministers will find this wholly unacceptable. Further amendments to the Bill at this stage would not only add further to the huge controversy surrounding the Bill, they would also add to the burdens facing the parliamentary draftsman. Certainly, if Ministers from another department sought to add to my problems in this way I would give them very short shrift indeed.

**Possible Options non-legislative**

3. The least objectionable options in Mr Fallows' minute are to:

(i) Pursue various internal measures bearing on Revenue work (paragraph 6); and

(ii) Turn away Right to Buy requests in particular offices in the South East (paragraph 7).

4. I think we will have to agree to these, although the Treasury may wish to comment on the public spending aspects of (ii). (I myself have just asked for advice on whether it remains appropriate for the VO not to charge local authorities for this work, so the public spending implications will need to be addressed in this context in any case). But even taking both of these options together we can hope to release no more than 50 professional valuers for other work. Thus we will need to bite the bullet of finding some way of cutting back on the rating work.

**Possible options: legislative**

5. At my meeting this afternoon we identified two broad options and one possible fallback position. The two main options (Appendices E and F of the paper refer) are:

Option (a) [Option 2(b) in the paper]: stop all proposals and appeals except that proposals would be allowed for new properties and appeals (by both domestic and non-domestic ratepayers) would be permitted when there was either a change of occupier or "a material change of circumstance".

Option (b) [Option 5 plus option 7 in the paper]: as in (a) except that the Valuation Office would be able to make proposals provided the additional gross value for structural improvements was greater than £50 (the current "Section 21 relief" is £30).

6. Option (a) could save 230 valuers, together with 1,000 ? other staff, a very small number of whom might be able to take on a little of the least technical valuation work, and many of whom would in any case have become superfluous to needs on 1 April 1990. This is probably a better balanced option than (b) in that it combines a curbing of ratepayers' rights with a sharp curtailment of VO proposals.

7. On the other hand, option (a) could reduce the revenue from rates by £90-100m. DoE Ministers would be likely to ask the Treasury to provide extra RSG to make good this shortfall in local authority receipts. In addition, there is a technical problem over drafting the "material change of circumstance test" for the legislation. Parliamentary draftsman has already refused once to define this in the current Local Government Finance Bill. His objections would need to be overcome.

this a big worry

8. Option (b) has the advantage that it would not involve a significant cost. Correspondingly, however, it would save fewer valuers - perhaps only 150. Like option (a), it would involve the "material change of circumstance test" but it would probably be more controversial than (a) in that more VO proposals would be permitted (hence the lack of cost!).

9. I think that from the pure Treasury view option (b) is preferable to (a). But I cannot imagine that Nicholas Ridley will accept it. There would be a sharp curtailment in ratepayers' appeal rights precisely at the time when many non-domestic ratepayers will be seeking to improve their positions over the transitional period to 1994/95 by reducing their base rate-assessments.

**Possible fallback**

10. This leads on to a possible fallback solution. If DoE Ministers will not buy option (b) they might be prepared to accept a compromise under which the transitional arrangements for the non-domestic rate revaluation would start from a base of rating bills at 1 April 1988 rather than from a base of rates payable in respect of 1989/90 (which can be reduced retrospectively on appeal) as is currently envisaged. This would remove the incentive for non-domestic ratepayers to lodge appeals solely to improve their base position ahead of the transitional arrangements for the revaluation in 1990.

11. This option might be presentationally easier in that appeal rights would not be affected. However, it would save fewer staff - possibly no more than 100 valuers. Thus if this were the option we settled for, we would have to accept some deterioration in the VO's workstate.

**An alternative solution**

12. An alternative (or complementary) solution would be to try to remedy the VO's problems at source: by increasing the pay of the professional valuers. Under the IPCS deal there is certainly more flexibility on pay than there used to be. However there are three potential problems here:

(i) Could a deal be completed in time to have any effect on wastage and recruitment this year?

(ii) Could a deal be ring-fenced? The A.I.T. (at least) would almost certainly see a clear read-across.

(iii) Would even a substantial pay increase solve the problem? Given that in the short-term professional valuers are in more-or-less fixed supply, a large increase in VO pay rates might simply lead to a similar increase in private sector pay rates?

13. Pay might be an answer, but the implications would need to be looked at very carefully. In my view, pay could only form part of any solution.

**Handling**

14. All this presents us with an awkward problem of handling, not least because the key DoE Ministers are snarled up all this week in the House and may well treat this as our problem (since they know that non-domestic revaluation is the top priority and therefore that the manpower shortage will largely be felt in other areas of the VO's work).

15. It is worth recording, however, that it is actually in the DoE's interests to ensure that the VO's work-state does not deteriorate still further: first because that would lead to a clogging-up of the new Valuation and Community Charge Tribunals with a large volume of historical appeals in the early 1990s and second, because the 'housing' side of the DoE is dependent on the VO in taking forward parts of the new Housing legislation.

16. A further consideration, of course, is the Treasury's interest in securing as high as possible a national poundage on the introduction of the uniform business rate.

**Conclusion**

17. LG Division is preparing a submission setting out the public finance implications of the various options and it would be useful to see that before taking any decisions on what precisely we should put to Nicholas Ridley.

18. Although I find it difficult to take a view on the various policy options in what is essentially a matter for DoE Ministers, my provisional view is that we should start by putting my option (b) to Nicholas Ridley and be prepared to fall back to changing the base date for the transitional arrangements if we cannot reach agreement on option (b).

N.L.

NORMAN LAMONT

051/3652

PERSONAL AND CONFIDENTIAL

BF to Tyrie 20/4

Ch.
PEM would like to discuss this at the bilateral. You have not seen this note, or Fallows', immediately behind, before.
Fallows' note appears to mean that the FST's fallback is, in fact, no solution. I have asked Mr Isaac to do a note setting out precisely the position. 20/4

Supply 2(b) + "fallbacks" + Chancellor

FROM: A G TYRIE
DATE: 19 APRIL 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Call

TYRIE 19/4

**VALUATION OFFICE: SHORTAGE OF PROFESSIONAL VALUERS**

I have just seen the papers on this, but missed the Financial Secretary's meeting.

Indeed.

This is a nasty political issue and I cannot understand why we have had to wait till 15 April to find out about it.

None of the options look at all attractive. I don't think that either of the options set out in the Appendices E and F are runners, politically, although it is just possible that Mr Ridley might be prepared to wear switching the base date for transitional arrangements (the Financial Secretary's fallback).

In particular, I find any interference with Right to Buy valuation very unattractive. This could reduce sales - perhaps the only unambiguously successful part of our housing policy. This also makes me wary of charging local authorities for VO work. Some Labour local authorities, already dragging their feet, could use 'shortage of cash' for VO work as a pretext for impeding sales further.

Nor do I think that increasing VOs' pay would be the right approach. I don't know much about the VO labour market but I would have thought it possible (as the Financial Secretary points out) that a substantial increase in government demand might merely bid up the price of valuers. There could also be substantial knock-on effects for pay in other parts of the Civil Service, particularly for tax inspectors and the PSA, (although I understand that VOs already have a slightly better deal than the rest of the Civil Service).

For the short term, if we were to end up spending more money, would we not be better off using it to pay for contracting out part of the VO's function, rather than handing it out in more public sector pay? For RTB we would have to do this in a way which did not enable LAs to slow down sales.

For the longer term, shouldn't we be considering privatisation of the valuation office as a whole? I am no expert on their work but it seems that none of their three main tasks (estates' valuation, mainly for CGT purposes; valuation for the Right to Buy; revaluation for the nationalisation of the non-domestic rate) need remain in the public sector. The appeals procedure (assuming it works properly) should bring consistency to valuations and protect the Revenue yield.

Perhaps a convincing case can be made for keeping some of the VO's functions in the public sector (eg transfering CGT and IHT valuations to the Revenue's Capital Taxes Office) but I think we should at least look at privatisation.

AGT.

A G TYRIE

/44

CONFIDENTIAL

FROM: MISS C E C SINCLAIR
DATE: 25 April 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Mr Anson
Mr Scholar
Mr Culpin
Mr Potter
Mr Hoare o/r
Mr Cropper
Mr Tyrie

Mr Battishill
Mr Isaac - IR
Mr Fallows

Ch. See also latest notes from Mr Kelly + PAC, immediately behind.
25/4

**VALUATION OFFICE: SHORTAGE OF PROFESSIONAL VALUERS - MEETING 26 APRIL**

I attach an annotated agenda for the above meeting. The projected staff needs for the Valuation Office, on various bases, are set out in the attached annex.

2. Papers for the meeting are:

- Mr Fallows' submission of 15 April: Shortage of professional valuers in Valuation Office.

- Financial Secretary's minute of 18 April to the Chancellor: Valuation Office - shortage of professional valuers.

- Mr Heywood's minute of 18 April to Mr Pitts: Valuation Office - provision of services to local authorities.

- Miss St Quinton's minute of 20 April to the Financial Secretary: Valuation Office - shortage of professional valuers.

- Mr Potter's submission of 20 April to the Financial Secretary: Valuation Office - shortage of professional valuers.

pp CAROLYN SINCLAIR

CONFIDENTIAL

1. When did this problem first become apparent? Why was action not proposed earlier?

2. What are the implications of doing nothing?

3. What staff savings could be produced by measures <u>not</u> involving DOE? How would these affect figures for staff need in the Annex?

4. Turning away Right to Buy work in South East is estimated to save 25 valuers. Would this be politically feasible? How would DOE/local authorities react?

5. Would it makes sense to suspend Right to Buy work across country? How many valuers would this save? Could valuers thus released be redeployed in areas of greatest pressure?

6. Does charging for Right to Buy work look a better option (scope for choking off demand, but would add to public expenditure)? Also charge for appeals (for businessmen)

7. Are any of the rating options in Annex E to Mr Fallows' minute of 15 April likely to be acceptable to DOE Ministers? If so, how much would they cost in terms of non-domestic rate revenue foregone? Could any of them be implemented without legislation?

8. Projected needs do not take account of potential increase in Ratepayers Appeals due to attractiveness of transitional arrangements for non-domestic rates. Should attempt be made to avoid need for up to 100 extra valuers by basing those arrangements on 1 April 1988 rating bills.

9. Could other steps be taken to help with shortage of valuers over next 2-3 years? Re-employment or retired VO valuers? Or retired local authority valuers? Any other sources?

10. Would contracting out some of the work on the non-domestic revaluation help? Could that revaluation be tackled in a less staff-intensive way?

11. What can pay do, and how quickly? Is pay only a problem in the South East?

12. Is there scope for moving any work currently done by valuers in South East to other areas?

ANNEX

## PROJECTED VALUATION OFFICE NEEDS (SHOWING VALUERS & NON-VALUERS SEPARATELY)

| | 1988-89 | | 1989-90 | | 1990-91 | | 1991-92 | |
|---|---|---|---|---|---|---|---|---|
| | Valuers | Non-valuers | Valuers | Non-valuers | Valuers | Non-valuers | Valuers | Non-valuers |
| a) Implicit in PES baseline | 1,839 | 4,336 | 1,895 | 4,355 | 1,891 | 3,985 | 1,897 | 3,333 |
| b) Based on staff in post and current recruitment/retention rates | 1,600 | 4,320 | 1,570 | 4,375 | 1,540 | 3,985 | 1,510 | 3,333 |
| c) Staff need on basis of planned workload (no surge in appeals prior to transitional arrangements) | 1,917 | 4,431 | 1,913 | 4,375 | 1,891 | 3,551 | 1,929 | 3,173 |
| d) Staff need with likely surge in appeals | - | - | 1,963 | 4,375 | 1,941 | 3,551 | - | - |

Likely staff requirements after 1991-92 (showing valuers and non-valuers separately).

| | |
|---|---|
| Valuers | 1,900 |
| Non-valuers | 3,170 |

CONFIDENTIAL

Grateful for FST's views, ASAP, on what – if any – further admin or reg. steps re package @ X. –

FINANCIAL SECRETARY

From: A B Fallows
Date: 29 April 1988

**VALUATION OFFICE: SHORTAGE OF PROFESSIONAL VALUERS**

1. The Chancellor asked for a detailed review of all measures which could realistically be taken to reduce the expected shortage of valuers (Mr Taylor's minute of 27 April, and earlier papers, refer).

**Present Distribution of Work**

2. The agreed needs complement for VO valuers from 1989/90 onwards shows the following distribution between existing areas of work, and separates out the position in London and the South East where the shortages are most acute. (The percentages show the proportion of the national work for the area of greatest valuer shortage.)

---

| | | |
|---|---|---|
| cc | Chancellor of the Exchequer | Chairman |
| | Paymaster General | Mr Isaac |
| | Mr Anson | Mr Fallows |
| | Mr Culpin | Mr Crawley |
| | Mr C W Kelly | Mr Heard |
| | Mr Potter | Mr Shutler |
| | Miss Sinclair | Mr Pitts |
| | Mr Cropper | Mr Morgan |
| | Mr Tyne | PS/IR |

| Work | National (including London & SE) | London & South East |
|---|---|---|
| A. RATING | | |
| (i) Revaluation | 256 | 88 (34%) |
| (ii) Current Rating | 598 | 274 (46%) |
| B. REVENUE | 276 | 121 (44%) |
| C. OTHER GOVERNMENT DEPARTMENTS (OGDs) | 470 | 120 (25%) |
| | 1600 | 603 (38%) |
| D. VO MANAGEMENT - Head Office + Regions | 300 | |
| **TOTAL VALUER NEEDS** | **1900** | |

A more detailed breakdown is given in Appendix 1.1, and this is shown graphically in Appendix 1.2.

3. Offices in London (and the South East, though to a lesser extent) are predominantly engaged in rating and revenue work. As the staff shortages are worst in those areas the most effective action would have to be targeted on reducing those workloads. It is inevitable, though unfortunate, that maximum attention and the strongest attack will be focused in 1990 upon the area of our greatest resource weakness.

4. As we have said, the revaluation and attendant appeal work on rating must have overriding priority. If we cannot cut down the existing amount of rating appeal work, the shortfall must fall - with disproportionate weight - on the 20% or so of our work done for OGDs in London and the South East.

5. Major initiatives already undertaken to save valuers (including Branch Restructuring (65 valuers), Grade Reform (125 valuers) and new Performance Targets (100 valuers) were listed in Appendix C of my note dated 15 April. We have already taken account of these savings in our earlier

estimates. I was asked to consider a range of further measures:-

(a) **Overtime** is already being worked by valuers in a number of offices and our existing staffing estimates have assumed that this will continue. To ensure that the shortfall does not exceed the present estimates (three, rising to four hundred valuers), we require some 25 man years of valuer overtime to be worked each year up to 1990, and more than double this after that date (approximately £375,000 and £750,000 per annum). Again, this possible increase in the level of valuer overtime has been taken into account in our earlier figures.

In practice we have had difficulty achieving as much overtime as we should like, particularly in London because of the commuting time. One of the difficulties is that the present (service-wide) overtime rules provide for payment at a flat rate, for some grades at less than their normal rates of pay, and they do not include the higher, supervisory grades at all (unless very long hours are worked). If these rules could be changed we might - despite the other constraints - be able to increase the present 25 man years

+ 15

to 40 (a gain of about 15 man years). These, and all the following figures, are of course very much a matter of judgement.

(b) **Retired Valuers** are being encouraged into the VO in small numbers, and we have been advertising both nationally and, more recently, locally (see **Appendix 2**) "Period or casual appointments and part-time work" without an upper age limit. In addition to this approach to all qualified surveyors, we have made personal approaches to ex-VO staff, who are especially useful because of their experience. Interviews are local to the applicant and appointments can be up to 3 years, with an annual review.

To date 31 staff have taken up duty (most of them part-time) their total contribution equating to some 15 man years. We have more than 30 further applicants from the recent local advertising, which has been undertaken throughout England and Wales. Again, we have already taken credit, in our earlier figures, for this anticipated level of response.

So why not try to recruit these?

This initiative has produced only moderate numbers because of a difficulty with Civil Service pension payments. Ex-Civil Servants (from the VO and elsewhere) have their pensions adjusted when they became wage earners again. Their response is, understandably, to limit their working hours - after a certain period they are effectively being asked to work for nothing. By contrast, applicants from outside the civil service get full re-imbursement, plus their other pension, the same as when ex-VO staff choose to work in the private sector (which many of them do).

+15

If it were possible to alter the pension arrangements, we think we could attract as many again as are now in post (perhaps another 15 man years), and possibly more.

(c) **"Support London"** We introduced a scheme in September 1987 whereby 6 regions outside London (there are 12 in all) were each required to provide 4 professional and 4 non-professional staff to work for 6 months on detached duty in a London office. (We, of course, readily move anyone into the London area if they are prepared to move permanently, but this is now uncommon.)

To underpin "Support London" - and we have introduced it on a mandatory, not a voluntary, basis - we have been able to offer:

- not only the special pay allowance for London
- but also normal daily subsistence allowance to cover the costs of lodging, meals etc.

We have not therefore had to face people with the costs of a permanent move to London, with (above all) its crippling house prices. Even on these (very expensive) terms we have carried the scheme about as far as we can; and we have already reached the point where some valuers have resigned, rather than accept a temporary move to London.

Despite the expected difficulties, the arrangement has worked reasonably well and 24 extra valuers are now working in London and, again, these have already been taken into account.

The 6 exporting regions - from Northern to the South West - have found recruiting easier than elsewhere and we have been able to go marginally over complement in some, with a commensurate increase in their support of London. Other regions, including East Anglia and the Midlands, have their own recruitment difficulties. We have considered extending the scheme to support hard pressed offices, mainly within a 60 mile radius of London, but have concluded that this would go beyond what other regions could supply. We have recently recruited half a dozen valuers from Northern Ireland, and we are exploring the possibility of outhousing some work or using some valuers on a peripatetic basis. But, unlike some other revenue work, property valuation requires ready access to the locality in question and appropriate local knowledge, which limits the likely value of these initiatives.

**Future possibilities**

**6. Legislative: Increasing Section 21**

Domestic or mixed property may not now be increased in value for rating purposes unless the value of any structural works exceeds £30 Gross Value (GV). As all assessments are now restricted to 1973 levels of value this reflects a range of capital values around the country, broadly from £5 - 10,000 worth of structural improvement.

The headnote to Section 21 (Local Government Act 1974) refers to "minor structural alterations" which are thus excluded from charge and, while the Secretary of State has an unrestricted order-making power which he used to prescribe the £30 limit, DOE lawyers consider that an increase much above £50 GV is likely to be ultra vires (it would no longer refer to minor works). The increase to £50 was Option 7 in the earlier papers, with an estimated staff saving of 45 (including 5 valuers) and an estimated full year cost of £10 million.

+5

If DOE could be persuaded to take a more liberal view or if the section were recast, by primary legislation, the change might achieve the following savings:

| GV | Valuers | Support Staff | Full year cost |
|---|---|---|---|
| £100 | 10 | 65 | £20 m |
| £200 | 15 | 90 | £50 m |

The higher the limit, the more it would be possible to short-cut present procedures (eg inspections) and achieve further savings.

7. **Legislative: Transitional relief**

We have already begun to explore, with DOE officials, the possibility of recasting the intended transitional reliefs (which were to have been based on the 1989/90 rate bills), to see if it will be feasible to change to a 1 April 1988 base line. There will be technical difficulties with new properties and changes to existing ones, with appeals made before and after that date, and with arrangements for retrospective repayments. But we do not know if they will see any wider policy implications. If they think this workable, DOE will probably want to entirely recast the scheme on to a rateable value base.

We will advance this initiative together with LG Division (Mr Potter) and report any developments. This change is needed to prevent the present situation getting any worse (we have not taken account of the probability of a huge inrush of 1989/90 ratepayers' proposals in our earlier figures).

## 8. Non-legislative Options

As Appendix 1.1 shows, the bulk of our work in London and the South East is either rating or revenue (all work for Other Government Departments, including local authorities funded by RSG, only requires 120 man years of valuer time). The concentration of rating work (both domestic and non-domestic) was the reason why we earlier suggested the possibility of running down work on the present valuation lists in advance of 1990.

(a) **Withdrawal from some areas of OGD work** could help, and we have earlier suggested a more flexible approach to "Right to Buy" casework, whereby we might withdraw assistance in some localities primarily in the South East. To some extent this is happening already, and DOE officials have accepted it but have warned that their Ministers would need to be consulted if it occurs on a larger scale. At its full extent withdrawal from RTB work could save 25 valuers (these savings were included in the earlier paper). The suggestion, which I think you endorsed at your meeting, is that this should not be presented as a new approach of principle. It should be carried through on a very low-profile and strictly pragmatic approach - the effect recognising the reality that, where an individual valuation office is faced with severe shortage of professional staff, and heavy arrears, it is simply not in a position to take on new work.

+25

The other work where it may be appropriate to adopt a similar flexible approach is that done for public bodies other than Government Departments. These are listed on **Appendix 3** together with details of the distribution of that work last year, and are all bodies where we recover the cost of the work done.

Last year the VO charged for about 10% of its total OGD work (23,903 cases with a capital value of £2.033 billion) and recovered charges of nearly £2 million. This included nearly 3000 DHSS cases, a new scheme having come into effect from 1 April 1987 to charge Hospital and Community Health Services for valuation advice, and over 14,000 Housing Association cases. Housing Associations (although the Housing Corporation) are answerable to DOE, and the other public bodies concerned are accountable to other Departments. Limited withdrawal of VO services would again require consultation with the appropriate Ministers.

This could ease some of the burden on Valuation Offices in London and the South East, and we could save a further 15 valuers by withdrawal of our services for all such recoverable service work in this locality, though there would be an exchequer cost as private sector fees are on average at least 4 times VO costs, and often considerably more.

+15

We have considered something more dramatic, like the gradual withdrawal of assistance to Other Government Departments, where work pressures require. This raises difficult issues:

- Other Ministers would need to be consulted, and they would need time to consider alternatives,

- There would be a considerable additional cost to the public sector,

- By diminishing the variety of available work, more valuers might choose to follow the work into the private sector.

We have concluded that it would be preferable for Valuation Officers to be able to refuse work, on a selective basis, where their back-log was such that they clearly could not take on new work. This process of natural selection would, in our view, be much less difficult for the workforce than any policy of widespread withdrawal.

(b) **Charging**

As mentioned above, we have begun charging Government Departments (DHSS) and have long recognised the potential in this area. A separate note (in response to your PS enquiry of 18 April) will explain the background to charging (The Review of Government Valuation Services, etc.) Our experience with DHSS indicates that the introduction of charging on a wide scale would require extensive consultation with potential clients, adequate notice (eg for PES purposes), and considerable research (into various options, regional differentials, etc).

As we discussed at your meeting, charging could have either or both of two objectives.

(i) to produce a "level playing field" or fair competition between the VO and private sector valuers - or, more positively - to choke off demand for VO services;

(ii) to raise revenue which (subject of course to Treasury agreement) could finance pay increases or other measures to improve the supply of professionals to the VO.

Our first tentative estimate is that, once we had the charging system in full swing (and disregarding at this stage behavioural effects - that is, any success in choking off demand) a charging system could yield something like £20m a year (if charges are limited to recovering the VO's actual costs) or £100m a year (if charges are set at going market rates). Alternatively - and assuming for this purpose that we charged market rates - we might in due course reduce demand by the equivalent of say 45 to 50 valuers. But, again, there is a strong possibility that those valuers might follow the work.

On the timing, our first assessment is that it is probably unrealistic to expect any large-scale charging arrangements to come into force before April 1990, and there will of course be a backlog of existing commitments to be worked off during 1991. If that is right, the benefit of charging (whether in increasing revenue or choking off demand) may build up progressively during 1991 and begin to make a significant contribution in 1991/92.

We note that this is something the Chancellor wants looked at more comprehensively and there may well be scope to introduce more charging earlier, on a selective basis. But for the present it would seem to offer little scope for the savings required now.

9. **Contracting Out/Seconding In**

We have looked earlier (in 1984 and 1985) at the possibility of contracting revaluation work out to the private sector, or seconding their staff in. We examined the former in depth with the Royal Institution of Chartered Surveyors and reported the outcome to Ministers. As you may recall the negotiations came to nothing partly because of the limited interest shown by the private sector (they said they were interested in doing no more than 15 per cent of the whole and at that the simpler work) and partly because of cost (at best their fees were 8 times the VO cost). Other problems were: conflict of interest, lack of experience, and past difficulties (this was tried unsuccessfully in 1956).

Seconding private sector staff in, to work with and under the supervision of VO valuers does not look likely to contribute to a solution. Much of the problem arises precisely because the main private sector firms are already short of staff, and are poaching our staff to make good their shortages. Even leaving that aside, given the existing disparity of salaries between the sectors, there is little hope of attracting many valuers at civil service levels of pay; yet paying them substantially more to work under the supervision of more experienced surveyors would be fraught with obvious difficulties. Apart from anything else - and by contrast with the successful use of high-paid "consultants" in the information technology field - this would be a case when it would be the officials who would be required to "transfer technical expertise" to the high-paid people from the private sector. Thus there may be some private sector valuers available, who would be volunteered by their firms to gather information about the revaluation which would later be used to attack the new lists, but our fear is that the numbers available could only be met by first poaching VO staff and then seconding them back, at a higher salary. The PAC would be unlikely to miss that irony.

The Chancellor suggested at the meeting that firms would have no incentive to recruit our people merely for the short term needs of the revaluation. But it is our expectation that the level of non-domestic rating activity in the private sector will - like our own needs in the Valuation Office - be hugely expanded after 1990, when something like a 50 per cent appeal rate is anticipated. This would give firms the ideal opportunity to strengthen their rating teams in anticipation of that workload, and of ensuring that those staff were trained for the assault in the best possible way - by undertaking some part of the revaluation.

## 10. **Summary**

In reaching the estimate of a shortfall of 300 rising to 400 valuers, we have already taken account of recent initiatives to do with overtime, re-employed and part time valuers and

"Support London". In addition, as I said at the meeting, we are now looking at changes that might be made to our handling of Revenue work, and at what that might cost.

We need to explore with DOE officials what might be done to block off the expected rush of further non-domestic appeals in 1989/90, because of the effect of the transitional arrangements (paragraph 7).

My note of 15 April suggested further possible savings from (i) Procedural changes to Revenue work (12 possible valuers) and (ii) withdrawal from some "Right to Buy" work (about 25 valuers).

Assuming that legislative and other administrative changes were possible, this paper suggests that further savings might be made:

| | | **Para** | **Valuers** |
|---|---|---|---|
| (i) | Overtime (If there could be modification to the present Treasury arrangements) | 4(a) | 15 |
| (ii) | Pensions (If the existing superannuation arrangements could be changed) | 4(b) | 15 |
| (iii) | Section 21 relief (If DOE were prepared to take a more flexible approach to their order-making power) | 5 | 10 |
| (iv) | Withdrawal from some OGD work (After Consultation with other Departments) | 8 | 15 |

Over the slightly longer term, charging might be introduced (para 8) either with the objective of financing additional expenditure, or of reducing supply. We have a separate remit to consider this further.

If you see all of these as viable, and acceptable to colleagues, this package of measures (both in this paper and the earlier one) could perhaps contribute in the region of 100 valuer savings, towards a shortfall in excess of 300.

You will, of course, want to discuss this further.

A B FALLOWS

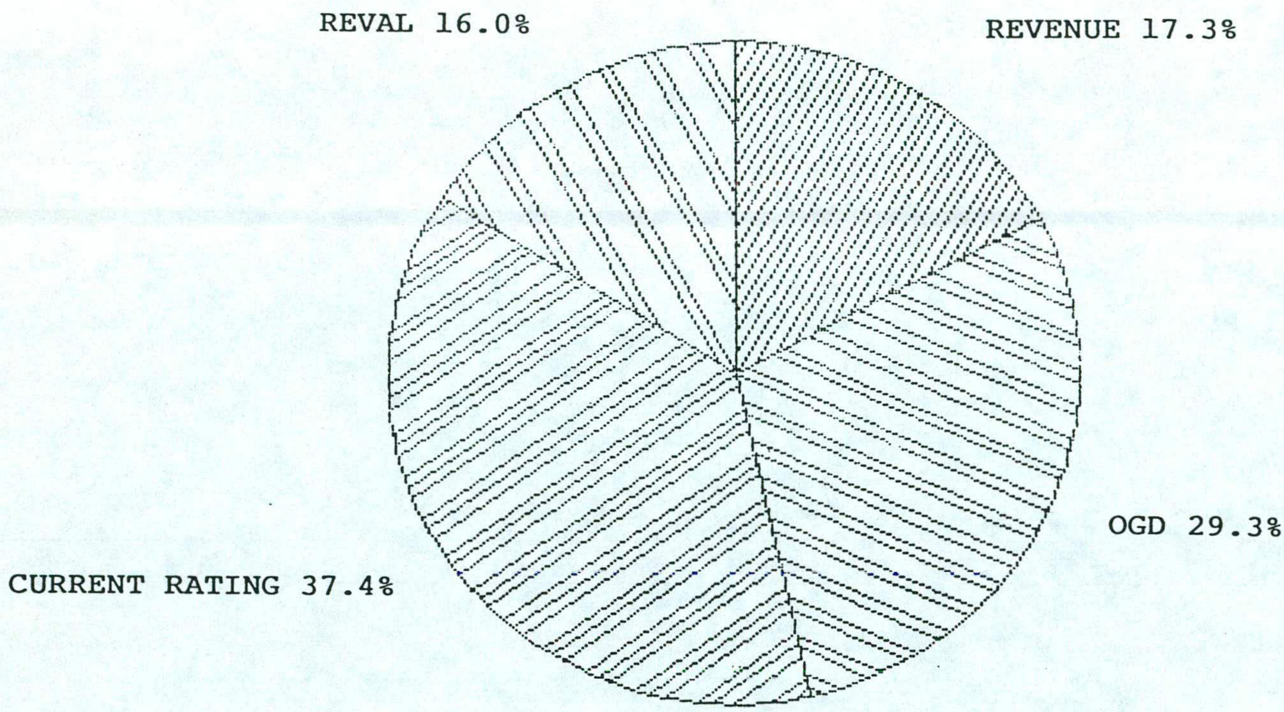
APPENDIX 1.1

DISTRIBUTION OF VALUER CASEWORKERS (AGREED NEEDS)
(Total Valuers 1900 - Overheads 300 - Caseworkers 1600)

| **RATING** | **National (Including London & SE)** | **London & SE** |
|---|---|---|
| REVALUATION | 256 | 88 |
| CURRENT WORK (1973 Lists) | 598 | 274 |
| **Total Rating** | **854** | **362** |
| **REVENUE** | | |
| CTT | 138 | 61 |
| CGT | 120 | 52 |
| Other | 18 | 8 |
| **Total Revenue** | **276** | **121** |
| **OTHER GOVERNMENT DEPARTMENTS** | | |
| TRANSPORT | 42 | 11 |
| HOUSING (excluding RTB) | 109 | 28 |
| 'RIGHT TO BUY' | 90 | 23 |
| DOE (Other) | 89 | 23 |
| HEALTH | 49 | 12 |
| SOCIAL SECURITY | 7 | 2 |
| RECOVERABLE SERVICES (ie Bodies who already Pay) | | |
| (i) Excluding RTB | 48 | 12 |
| (ii) RTB | 14 | 3 |
| Other | 22 | 6 |
| **Total OGD** | **470** | **120** |
| **TOTAL NEEDS ALLOCATION** | **1600** | **603** |

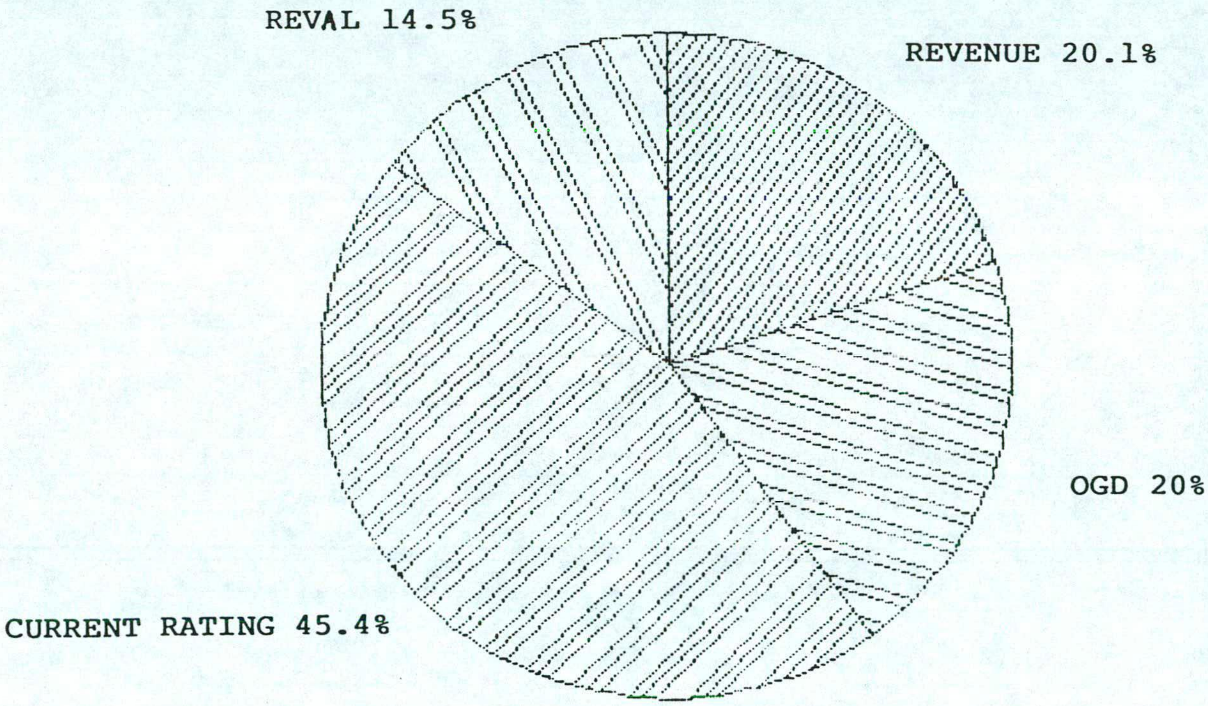
VALUATION OFFICE - NATIONAL

Distribution - Professional Caseworkers




VALUATION OFFICE - SOUTH EAST AREA

Distribution - Professional Caseworkers



CAMBRIDGE EVENING NEWS, Thursday, March 24, 1988

# EXPERIENCED VALUATION SURVEYORS

No upper age limit

Period or casual appointments and part-time work are available

*The Valuation Office is currently undertaking the revaluation of all commercial properties. This is in addition to its responsibilities for land acquisition and disposal, estate management, leasing, taxation matters and maintaining the present Valuation List.*

*Vacancies exist in the District Valuers' Offices in Cambridge and Peterborough.*

*Salary up to £17,110 depending on qualifications, experience and level of appointment.*

*For an informal discussion please telephone Michael Waldron on 0206 571247 who will put you in touch with your local District Valuer.*

*Information on opportunities for permanent employment may be obtained from Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB.*

*Please quote ref: T/149/12.*

*The Civil Service is an equal opportunity employer*

VO VALUATION OFFICE

APPENDIX 3

| Case type | VALUATIONS RECEIVED Y/E 31/03/88 RECOVERABLE SERVICES | TOTAL |
|---|---|---|
| 600 | AGRICULTURAL RESEARCH COUNCIL | 176 |
| 602 | ALFORD DB (MAINTENANCE - NO INSPECTION) | 35 |
| 605 | ATOMIC ENERGY AUTHORITY | 127 |
| 625 | CENTRAL ELECTRICITY GENERATING BOARD | 3 |
| 629 | COUNTRYSIDE COMMISSION | 82 |
| 630 | DOE (PSA) - POST OFFICE | 1 |
| 631 | DUCHY OF LANCASTER | 4 |
| 635 | FORESTRY COMMISSION | 300 |
| 638 | ENGLISH INDUSTRIAL ESTATES COMMISSION | 10 |
| 640 | GAS COUNCIL | 1 |
| 641 | UNIVERSITIES (GENERAL) | 26 |
| 643 | HISTORIC BLDGS & MNTS COMMN FOR ENGLAND | 13 |
| 644 | FORESTRY COMMISSION-QUASI DETERMINATIONS | 2 |
| 646 | HOUSING CORPORATION (BALANCE SHEET VALS) | 2 |
| 647 | HSNG ASS SOC CORP RIGHT TO BUY HA 80 S6 | 1745 |
| 648 | HSNG ASS SOC CORP RIGHT TO BUY HA 80 S11 | 97 |
| 649 | HOUSING ASSNS & SOCS (DIRECT BILLING) | 14180 |
| 650 | HSNG ASS SOCS & TRUSTS (H & BCA 84 QS6) | 805 |
| 651 | HSNG ASS SOCS & TRUSTS (H & BCA 84 QS11) | 6 |
| 652 | PRESERVED RIGHT TO BUY H&PA86(VALUATION) | 4 |
| 658 | LOCAL AUTHORITIES STAFF SUPERANN FUND | 4 |
| 660 | MEDICAL RESEARCH COUNCIL | 5 |
| 661 | MANPOWER SERVICES COMMISSION | 69 |
| 664 | MISCELLANEOUS | 2 |
| 670 | NATIONAL COAL BOARD - OPEN CAST | 584 |
| 672 | NATIONAL HERITAGE MEMORIAL FUND | 3 |
| 673 | NATIONAL RADIOLOGICAL PROTECTION BOARD | 2 |
| 675 | NATURE CONSERVANCY COUNCIL | 416 |
| 680 | NATURAL ENVIRONMENT RESEARCH COUNCIL | 17 |
| 681 | WATER AUTHORITIES (NOT ALLIED SERVICES) | 3 |
| 683 | PUBLIC WORK LOAN BOARD | 3 |
| 684 | THE WOODLAND TRUST | 4 |
| 685 | REMPLOY | 8 |
| 687 | SOUTHERN ELECTRICITY BOARD | 1 |
| 690 | SCIENCE RESEARCH COUNCIL | 38 |
| 691 | UNIVERSITY OF EXETER | 7 |
| 694 | STONHAM HOUSING ASSOCIATION | 1 |
| 695 | SPORTS COUNCIL | 123 |
| 697 | UNIVERSITY OF LONDON | 9 |
| 699 | WELSH DEVELOPMENT AGENCY | 2 |
| 701 | YORKSHIRE ELECTRICITY COUNCIL | 1 |
| 801 | DHSS ACQUISITIONS | 736 |
| 802 | DHSS DISPOSALS (EXCLUDING FORMER OWNERS) | 1352 |
| 803 | DHSS - OTHER CASES | 1767 |
| 804 | DHSS HOSPITAL TERRIER | 736 |
| 805 | DHSS ENGLISH HAS REMOVAL EXP-NEW STATION | 237 |
| 806 | DHSS ENGLISH HAS REMOVAL EXP-OLD STATION | 154 |
| | | 23903 |

43/3541

CONFIDENTIAL

FROM: C J A CHIVERS
DATE: 3 MAY 1988

1. MR KELLY not available

2. FINANCIAL SECRETARY

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Culpin
Mr Gilhooly
Mr Potter
Miss Sinclair
Mr Hoare
Mr Enderby
Mr Cropper
Mr Tyrie

I agree with the advice.

**VALUATION OFFICE : SHORTAGE OF PROFESSIONAL VALUERS**

The Chief Valuer sent you a further note on 29 April about various ways in which the shortfall of professional Valuers might be countered. His submission says little about pay, apart from the point about the abatement of pensions being a disincentive to retired Valuers returning to work. But the conclusion which it reaches is that it seems unlikely that the shortfall can be made good by any or all of these means; with the implication that in consequence one must look to a substantial increase in the pay of valuers to solve the problem.

Scale of pay increases indicated

2. We in the Pay Group have had some exploratory discussions with the Inland Revenue, without any commitment, to see what pay increases might be necessary to stabilize the situation. We believe that in view of the severe losses that are taking place at Valuer and Senior Valuer levels pay increases of the order of £2,500 may be called for at those levels in London and South East. (There is no significant problem outside the South

East.) There would also need to be a smaller increase in the pay of Principal Valuers to maintain an incentive for staff to accept promotion.

The IPCS levels survey

3. We would expect increases for these grades of at least that order to be indicated by the levels survey covering all IPCS grades which is currently being conducted, the results of which will be known at the end of June. There will be a negotiation with the IPCS on the basis of that information which will lead to pay adjustments being made with effect from 1 August 1988.

4. The Valuation Office grades will however be only one of a large number of specialisms the pay of which is to be reviewed in that negotiation. There are other important priority areas, such as electronics and telecommunications specialists, where Departments are under equal if not greater pressure. PSA for example, who are the other main employers of professional valuers, suffer from a similar shortage in the South East, but within a limited budget valuers are not their top priority. The negotiation with the IPCS over the division of a limited increase in the overall paybill for the grades they represent will therefore be far from straightforward. We return to this in para 8 below.

The Inland Revenue view

5. The Revenue themselves say that, on the assumption that it would cost about £1 million a year to put Valuers' pay right, they have sufficient money in their running costs to meet that bill. They would like us to make immediate increases in the pay rates for Valuers and Senior Valuers in the South East. They say that although it does not seem long to ask the Valuers to wait till 1 August, they fear that in practice the negotiations with the IPCS may drag on, and the sooner an actual pay increase could be given to the staff to stem the losses, the more cost-effective such action would be.

The options

6. The choice, depending upon your judgement of the seriousness of the problem, is as follows:

1. you could tell the Valuation Office - as we have done at official level - that their staff must await the outcome of the levels survey, but that you expect to find that it will support the case for some further increase in the pay of Valuers and Senior Valuers in the South East;

2. alternatively, if you considered that the problems were so pressing that something must be done more urgently, you could make them a pay offer in anticipation of the levels survey. The amount of those increases and the conditions on which they were given would need further consideration.

Argument

7. There are strong reasons for preferring the former line, if you judge that it is tenable. We are not too worried about direct repercussions to other grades and disciplines, even within the Revenue, because the Valuers are seen as a distinct group. But anticipating the levels survey to this extent would give us great difficulty. The increases which will be required for the Valuers will inevitably, it seems, be large. It will not be easy to get the IPCS to agree in August that that this group should be given such a large slice of a cake which they will regard as already too small for the totality of their grades. They would almost certainly not agree to a slice of the cake being pre-empted unilaterally by management now: and if we did it without their agreement it would give them grounds for arguing that it should not count against the total of increases in their paybill which are subject to the implicit constraint on the August pay review.

8. Under the IPCS Agreement annual pay reviews are to be constrained within the interquartile range of outside pay movements. That constraint does not formally apply this year, but both we and the IPCS will be under moral pressure to observe it. The constraint is meant to bite on the total paybill increase, including all selective movements which have taken place in the course of the year. It seems to us very important not to set a precedent by making a disagreed selective movement (by increasing Valuers' pay out of time) of such a scale that it could lead to the creation of two categories of pay increases - one set within the interquartile range constraint and another, additional set outside it.

Recommendation

9. We therefore recommend that, if you think that the Valuation Office can struggle through till August on the strength of a general assurance about the likely outcome of the levels survey, they should be asked to do so. If not, quicker action would be possible, but it would create a potentially damaging precedent for us in relation to the IPCS, tending indeed to undermine the whole Megaw-based pay determination system which we are trying to introduce.

KIT CHIVERS

CONFIDENTIAL

FROM: ROSIE CHADWICK
DATE: 5 May 1988

PS/FINANCIAL SECRETARY

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Culpin
Mr C W Kelly
Mr Gilhooly
Mr Chivers
Mr Potter
Miss Sinclair
Mr Hoare
Mr Enderby
Mr Cropper
Mr Tyrie

Ch-
See also Messrs. Potter + Chivers' notes, behind.

**VALUATION OFFICE: SHORTAGE OF PROFESSIONAL VALUERS**

The Paymaster General has seen Mr Chivers' minute of 3 May, and commented that "Good order and military discipline" make it very desirable that we continue on the basis of business as usual.

The Paymaster notes that the Civil Service pension issue (the subject of a separate review) arises here too, and certainly the comparative effect looks perverse. But this, and the overtime issue, are at the margin of the problem. After our successful negotiation of the legal pay issue the Paymaster would be very reluctant to establish a new precedent for extraordinary treatment.

REC

ROSIE CHADWICK
Assistant Private Secretary

42/2.BTW.1234/53

**CONFIDENTIAL**

BF 17/5 BF ~~13/5~~

FINANCIAL SECRETARY TO THE TREASURY

**FROM: FINANCIAL SECRETARY**
**DATE: 6 May 1988**

(Potter's putting advice to come)

Julie – Pse. arrange a bilateral (soon) JT

**CHANCELLOR**

cc Chief Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Kelly
Mr Chivers
Mr Potter
Miss Sinclair
Mr Cropper
Mr Tyrie
Mr Call
Mr Battishill IR
Mr Fallows VO
PS/IR

Mr Potter is putting 2 subs.

Ch/ You have more recent pps (in car box). A bilateral with FST, in the first instance? JT 6/5

OK

**VALUATION OFFICE: SHORTAGE OF VALUERS**

I have had a further discussion with officials about this on the basis of Mr Fallows' minute of 29 April. I have to say at the outset that I have failed to find any new solutions to the problems facing the Valuation Office and I believe that the options presented by Mr Fallows barely scratch the surface.

**The Key Problem**

2. As I understand it, the approximate prospective shortfall in professional valuers over the next few years, is as follows:

| 1988/89 | 1989/90 | 1990/91 | 1991/92 |
|---|---|---|---|
| 320 | 340 (390)* | 350 (400)* | 420 |

* Figures in parenthesis show the expected impact of a surge in appeals prior to the transitional arrangements for the NNDR

3. At my discussion today, the Chief Valuer suggested that whilst these 'global' figures were serious, the key problem was how to cope with the shortages in London and the South-East. At present, the shortfall in this area is 140 valuers, some 23% of the agreed complement - last year 49 valuers resigned in London

alone. As a result of wastage and the inability to recruit or to switch people to London, the current position will get progressively worse over the next few years, as reflected in the global shortage figures.

**Pay**

4. Of the suggestions that have been made, the only option likely in principle to have a significant effect on the London/SE problem is to give Valuers (and Senior Valuers) in this area a substantial pay increase.

5. This, of course, is not without problems: it might simply bid up the salaries on offer in the private sector. But, given the paucity of other viable options, and given the likely reaction - in terms of morale within the Valuation Office - if we are seen to be closing our eyes to the substantial differential that already exists between public and private sector salaries for valuers, I think we have no choice but to make a large pay offer to these people.

5A. The argument for a pay solution is not so much the effect it might have on attracting new recruits as the effects on retention. If we could cut down the loss of staff, that would be a significant step in improving the situation.

6. Pay Group have already had some discussions with the Revenue on this, and they are not, in principle, opposed to fairly significant pay additions for valuers in London and the South East, provided that this is considered as part of this year's IPCS settlement.

7. This approach must be right. It implies looking at the results of the levels survey currently in train, and then, in the light of that and other factors, making an early offer effective from 1 August. It may well take some months to reach agreement with the IPCS. But Pay hope to be able to settle by the autumn. And, of course, even though the money may not reach pay packets until the autumn (or later), the offer will be public and will in itself show that we are aware of the Valuers' case and that we understand it. This may well help morale and staunch the tide of resignations.

8. It is very difficult to predict either what figures will emerge from the levels survey as an appropriate offer, or what effect a substantial pay increase will have on wastage rates and recruitment. Pay Group have suggested that a figure of around £2500 might be called for, which would still leave VO salaries well below market levels. The Revenue should be able to meet the cost of that sort of increase out of provision in 1988/89.

9. If it had the effect of halving last year's wastage of 49 London valuers, then this would, at least, prevent a further deterioration in the current regional shortfall of 140. If it helped the next recruitment drive (scheduled for this summer) it might even cut into the 140 shortfall itself. But all of this is extremely uncertain.

**Other Measures**

10. Given that on realistic assumptions pay will not do much, if anything, to meet the shortfall in London and the South East, and that we are not proposing a pay solution to the problems in the rest of the country, I have considered afresh the points covered in Mr Fallows' minute:

(i) **Overtime:** Pay Group see little prospect of changing the overtime rules as they apply to Valuers or Senior Valuers. These rules are agreed for the Civil Service as a whole. It would be extremely difficult to confine a relaxation to the Valuation Office alone and very expensive indeed to relax the rules for the Civil Service as a whole. Nevertheless, I have told Pay Group to examine whether anything can be done - possibly in the form of 'bonuses' rather than overtime. Failing that, the prospective saving of 15 man-years would not materialise.

(ii) **Retired Valuers:** there seems to be some confusion over the pension abatement rules here. The Chief Valuer will look again at whether this is as much of a problem as he suggested. At stake could be 15 man years or more.

(iii) **Support London:** nothing more can be done on this.

(iv) **Section 21 Relief:** we previously contemplated an increase from £30 to £50, saving 5 valuers. I do not think we want to legislate on this, but it is worth exploring whether an increase to £100 really would be 'ultra vires'. Such an increase would save 10 valuers (plus 65 support staff, helping in a small way to smooth the rundown in staff ahead of the abolition of domestic rates) at the cost of £20m in a full year.

(v) **Transitional Relief:** the option of bringing forward the base date for the transitional arrangements for the NNDR remains on the table. But LG have warned that if we approach DoE and ask them to look again at these arrangements, DoE might well suggest further amendments of their own designed to ease the passage of the Local Government Finance Bill through the Lords. Any further concessions on the transitional provisions would probably involve an Exchequer subsidy. In any case, bringing forward the base date does not solve the core problem of the 300 shortage (rising to 400); it merely removes the possibility of a temporary surge in appeals exacerbating the shortages in 1989/90 and 1990/91.

(vi) **Withdrawal from OGD work:** I think we need to put back on the agenda selective withdrawal from Right to Buy work. This is not a very attractive proposition, and must clearly be handled in a low-key way. But local authorities do have an obligation to obtain valuations for people wishing to exercise their RTB and I think that to some extent the political steam has gone out of this issue. Equally, I think we do need to start withdrawing from the work done presently for other public bodies, such as the Housing Associations. This will require consultation with other Ministers, may take some time to implement and will involve a cost to the Exchequer. It may also be self-defeating, in the sense that if private firms take up this work they may well need to recruit further valuers from the Valuation Office. Withdrawal from work for bodies who already pay for VO services might save us 15 valuers, in London and the South East.

(vii) **Charging**: given the possible savings of 45-50 valuers and the wider benefits of charging, I think we need to press ahead urgently with a review of this. To have much impact on the present problems we need to get a charging regime in place for the start of 1989/90. This looks a tall order, but we need to keep all possibilities open.

(viii) **Contracting Out**: at this stage there is no possibility, even if it were desirable, of contracting out the revaluation work. But at the margin there may be scope for contracting out other work. (De facto this might happen automatically if we withdraw from the OGD work). But once again, we run across the problem that if the private sector is to do more work, they may well need Valuation Office valuers to do it. In addition, the Chief Valuer believes that there would be scope for conflicts of interest if the big private sector companies worked on the 'inside' as well as for their own clients.

(ix) **Seconding In:** another possibility is to get people in on a temporary basis either from the public sector or from the private sector. However:

(a) Other public sector valuers - even if they could be recruited - have little or no experience of rating work;

(b) If private sector people are brought in they might, again, face conflicts of interest;

(c) To get private sector valuers in we would have to pay them the full market rate. This would not just be for a short 'temporary' period - we face problems over a period of years not months;

(d) Paying secondees large salaries to work alongside VO staff on public sector salaries would obviously cause great difficulties and would sharply reduce the impact of any pay increase we gave to VO staff;

Not necessarily. You will recall that at Telford IR staff, + contracted-in computer staff, work alongside each other v. happily.

(e) We would be in the nonsensical situation of having VO staff poached by private sector companies, only to re-employ them on contracts at private sector pay rates.

**Possible Legislation**

11. This list of management measures, even if one takes the most optimistic possible view, looks unlikely to yield savings of much more than 50 valuers over and above the 40 or so suggested in the original minute of 15 April (not including the impact of any pay proposals). I am at a loss to suggest what more can be done. But I should report one chink of hope which I have asked LG to investigate.

12. Mr Fallows believes that there is a possibility of DoE Ministers approaching us in the summer with proposals for legislating to remove ratepayers' rights of appeal - some variant of Option 5 in Mr Fallows' previous paper. The legislation would be included in next year's Local Government Bill.

13. Although LG have not picked up any signal that DoE Ministers might be prepared to contemplate future legislation, it is conceivable. They will not want the new Valuation and Community Charge Tribunals to be over-run in April 1990 with a very large volume of historical appeals at a time when they will be wanting to deal with Community Charge and new rating appeals. I have asked for a further note on this issue.

**Conclusion**

14. I am aware that this remains very unsatisfactory. If the legislative possibility does not materialise, we are left with having to "muddle through". This might not be disastrous outside the SE, but it is clear that within London and the SE our failure to find any means of significantly reducing the shortages will lead to a further substantial build up of arrears of work. There is no sign yet that the revaluation is under threat, but obviously the backlog of work will have to be kept under close review.

15. I would like to discuss.

NL

**NORMAN LAMONT**

24/1/342/010

CONFIDENTIAL

Mr Potter makes some v. relevant pts.

PS/FINANCIAL SECRETARY

FROM: B H POTTER

Date: 16 May 1988

cc: APS/Chancellor (Mr Taylor)
Mr Phillips
Miss Sinclair

Ch/ See also Mr Potter's other note, behind. But this note raises some v. imp. questions about the whole basis of the VO's estimates. (Mr Potter warned me that it was coming, which is why I have held back arranging a word with FST. You may like to consider asking FST to charge FP to pursue the points raised here - and in some depth - before we do anything more.
AT 16/5

Yes please

## VALUATION OFFICE: SHORTAGE OF VALUERS

I mentioned to you and Mr Taylor that, in the course of preparing a submission for the Financial Secretary on the legislative options to help reduce the projected shortfall of valuers, I had become increasingly concerned about the reliability of the VO projections.

2. The VO forecasts of the flow of appeals are as follows:

| 1984/85 | 1985/86 | 1986/87 | 1987/88 | 1988/89 | 1989/90 |
|---|---|---|---|---|---|
| 66,000 | 65,000 | 75,000 | 83,000 | 91,000 | (i) 91,000 |
| | | | | | (ii) 116,000 |

These figures make an important contribution to the projected shortfall: the VO rule of thumb is 225 appeals = 1 valuer.

3. My understanding is that the 1988 89 forecast was derived by assuming the same increase in appeals above the 1987-88 level as had occurred in the previous year. The figure is then arbitrarily held constant for 1989-90 (i) on the assumption that the transition to the NNDR would be backdated to a date in the financial year 1988-89. But if the present system runs on so that there is advantage in appealing in 1989-90 (ii), it is assumed that this will increase the flow of appeals in 1989-90 by 25%.

4. Discussions with the VO have revealed no scientific basis for these estimates and they admit there must be considerable uncertainty about them. Nor have the VO apparently looked at past evidence from previous revaluations to see what the likely volume and profile of appeals might be.

5. Starting from first principles, it may be helpful to identify three main stimuli to appeal:

(i) "underlying" appeals from changes in the economy: (it is arguable that these should be less when the economy is growing satisfactory);

(ii) structural changes in appeals practice: I understand it is now standard procedure for large firms like Marks & Spencers and Woolworths to put in annual appeals on all their properties;

(iii) appeals to maximise the benefit from the proposed transitional arrangements.

6. Again starting from a very simplicitic model, the case for lodging an appeal must broadly depend on whether the likely stream of discounted benefits ie savings on rate bills exceeds the costs. As the period over which a successful appeal will reduce rates bills diminishes, so would the discounted benefits; and that must change the balance of benefits against costs. One way of looking at this is that the earlier an appeal is lodged, when the end of the present valuation is in sight, the greater the benefit to the applicant. Moreover, the benefit under the transition arrangement only amounts (on average) to less than half of that 5 year transition period; so an appeal this year has a discounted benefits stream for at most only the next 3-4 years. How far industry had assumed a transition of the proposed form, and already taken it into account, is unknown.

7. There is no way therefore of knowing whether the recent growth in appeals is already in anticipation of the transition arrangements; or whether the bulk of such appeals can be expected in this financial year; or whether the flow will only come

after April 1989, as the VO appear to have assumed. One can readily draw up alternative hypothesis which would suggest that, both the volume of future appeals is likely to be lower and the profile over time rather different than the VO are projecting.

8. But it is important to try and get this right. To take a simple example, is it really credible that there would still be 91,000 appeals in 1989-90, if we announced the transition was to be backdated - as the VO assume? It seems hard to believe 91,000 ratepayers would appeal to bring only one years lower rate bill.

9. Other complications - the size of the backlog in appeals and the rate at which is worked through if appeals are stopped - need to be brought into the picture. But I draw three conclusions. First it is possible that the projected shortfall is not as large as the VO have estimated. Secondly, it is difficult to know whether action to stop appeals in the last year of the present system would make much impact on the (correct) number of valuers required: if the VO assumed profile is wrong, it might already be too late to have much impact. Third it would be desirable to do more work both on the volume and the profile before Ministers are asked to take conclusions not only on the legislative options but perhaps on pay and other matters also.

Barry H. Potter

BARRY H POTTER

207/027/AC

X is partially a matter of ~~of what other VO work ... this for ...?~~ How does this square with the case for ... that no privatisation of valuers in ... cols?

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What we need to know internally is whether Treasury Ministers are prepared to give

FROM: M J HOARE

DATE: 3 June 1988

1. MR CULPIN

2. FINANCIAL SECRETARY

the ... of discouraging right to buy work, by charging for it ~~...~~ or withdrawing from it.

I don't know whether you want to send a note to Mr Battishill before Wednesday's meeting. If so, I would like to expand x before it goes.

RC 3/6

cc PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr C D Butler
Mr Kelly
Mr Chivers
Mr Gilhooly OA
Mr Potter
Dr Chapman
Mr Cropper
Mr Call
Miss Hay
Mr Harris

## VALUATION OFFICE - SHORTAGE OF VALUERS

At the meeting last week you indicated that you had intended writing to Mr Battishill raising a number of issues and floating the idea of an indepth management review. This has now been overtaken by Sir Peter Middleton's proposal for, and the Chancellor's agreement to, a thorough review of the way the valuation activities of central Government as a whole should be organised after revaluation.

2. Hopefully, we can now rely upon the review to take account of our worries as to whether the present problems result from a temporary hump caused by revaluation, or whether something more persistent is involved; however, we still have to get to grips with the short-term issues. This submission takes stock of where we are on these.

### Charging

3. You have arranged a meeting with Revenue officials to consider charges in the Valuation Office. Mr Fallows' submission of 18 May covers the background and considers

the options for charging for the work for the local authorities (including Right to Buy valuations which form 50% of the 150,000 cases dealt with annually), work of central Government departments, rating work and Revenue work. Previous considerations of whether or not to introduce charging for Valuation Office work (including the 1984 investigation) have always come up against a variety of policy and political constraints most of which are fully rehearsed in Mr Fallows' submission. But, on this occasion, we need to be more single minded about our clearly defined aim - namely to choke off demand for Professional Valuer services. Charging is unlikely to have any effect on the demand from the Revenue or other Government departments; its introduction would probably only lead to a rather circular bookkeeping exercise. Charging is also unlikely to affect the level of work associated with the statutory duty to maintain the Valuation list for each rating authority area. The question of charging for 'proposals' or 'objections' by aggrieved ratepayers - which the Revenue consider is akin to a citizen appealing against a Civil Servants decisions - is more difficult to evaluate; it would require legislation and although it could be expected to have an effect on the level of appeals it is also likely to be highly contentious. Nevertheless this item should stay on the agenda for further consideration if other 'solutions' do not succeed.

4. The easiest area, and one where the introduction of charging might quickly be expected to have an effect on the level of demand, is the work for the local authorities (valuation and negotiations of interest in landed property) which is carried out as an allied service for DOE. The work currently includes some 75,000 Right to Buy (RTB) valuations but these are, however, only carried out for 50% of local authorities. As 50% of the local authorities are not using a free Valuation Office service it is almost certain than rather less would choose to use a service for which they had to pay. There is, theoretically, a slight possibility that the introduction of charging might result in some local authorities, reverting to the VO if they provide the cheaper service, but it is unlikely that authorities will want to pay for a service which they had rejected when it was free. We could close the door quite simply on that possibility by ensuring that the provision of VO services is restricted to their present local authority customers.

5. Normal Treasury practice is to charge on a full cost basis, but not to carry any surcharge or profit. We would support charging on a full costs basis. While a higher charge might reduce demand even more, it might be seen as making profits out of

the RTB policy; that would be difficult to justify against the actual cost of supplying the service.

6. We will need to ask the Revenue to provide advice on the necessary consultations with DOE and timing of the change (which surely must assume that we simply introduce the change following an announcement this year rather than embark on an interminable round of consultation with the local authorities as suggested in the Revenue submission). We consider that it is important to act quickly on this, otherwise recent Ministerial correspondence on the Right to Buy policy and the seemingly orchestrated media hype on possibilities for expanding that policy could, if they are accepted, result in an increase in the work falling on the Valuation Office. That sort of increase in demand could only excerebate the current problems unless any change to the RTB policy was accompanied by a simplification of the present system of obtaining valuations (hopefully based on a fairly mechanistic process avoiding the use and expense of professional Valuers).

**Withdrawing from Right to Buy**

7. An even more radical option would be to withdraw from Right to Buy work completely. In response to the Chancellor's doubts about turning away 'ostentaciously' RTB work from certain offices in the South-East, you have stated the view that although this option is not attractive, selective withdrawal needed to be put back on to the agenda.

8. A 1987 Revenue Staff Inspection looked into withdrawing or charging for RTB; it found:

a. 50% of local authorities go elsewhere for valuations even though the Valuation Office service is free;

b. the Valuation Office only provide 46% of RTB valuations;

X c. the cost of valuations by the private sector for similar work is in general lower than the average cost to the Department; and

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d. the use of the VO for RTB work leads to additional administrative costs and areas of duplication between the work of the local authority valuers and Inland Revenue Valuers

The Inspectors noted the recruitment problems in the VO 'at a time when the need for trained professionals for the non-domestic revaluation is growing', and concluded ' ... better value for money for the public sector as a whole could be obtained by withdrawing from the Valuation Office's RTB initial valuation service. They added 'we are confident that this would not impede the progress of the Government's RTB programme.' The Inspectors quantified the savings from this recommendation as a saving of some 149 staff and £1.96m. In the circumstances it does not seem entirely logical to consider withdrawing from RTB work only in the South-East given the minority use of the service and the fact that complete withdrawal would free up this level of savings.

9. Given the fillip which some colleagues would no doubt like to give the RTB policy this would seem a good time to reconsider whether there is a fundamental need for initial valuations to be done by the Valuation Office. In view of the evidence put forward by the Staff Inspection that must be in doubt. It can also be argued that continuing with the service is not compatible with the policy that the Government service should only carry out work which cannot be done bettr or cheaper by the private sector.

10. The 1987 Inspection report recommended "that, subject to the approval of Treasury Ministers, the VO (England and Wales) should embark on a timetabled withdrawal from RTB valuations in discussion with the local authorities who use the service." (The position on the VO Scotland was recommended for a review.) FP consider that this item should be placed on the table for consideration in the Survey as a Treasury option reduction. As a fallback we would suggest that the fairly straightforward nature of the work in virtually all cases offers opportunities for the work to be delegated to below professional level. You may wish to consider testing reaction to this at your meeting with Mr Battishill and VO Officials on Wednesday.

11. We could expect resistance to the idea of withdrawing from RTB from DOE Ministers and Officials. There is a risk that withdrawal would be seen as a lowering of support for the Government's policy at a time when a new impetus is sought. However

that is a matter of careful presentation. However DOE Ministers might be persuaded that this option should be pursued if the revaluation exercise was perceived to be at risk. That exercise means that there is just not enough professional valuer time available to carry out all the activities placed upon the VO. In the circumstances, there can be no doubt that this work could be transferred to the private sector and there is some evidence to suggest that it might be done better and cheaper by the private sector. It will not be easy to convince Mr Ridley of all this but the priority attaching to the revaluation exercise, coupled with the shortage of valuers means that we should try.

**Appeals Work**

12. Stopping or curtailing appeal rights is likely to be contentious and would require legislation (early next year), but it would have a considerable impact on VO workload if the current forecasts are correct. However, if legislative options are to be pursued we need to be sure that the depth of the Valuer shortage problem justifies the likely adverse reaction. The Chancellor has suggested that FP follow up Mr Potter's suggestions that some of the assumptions driving the workload projections on appeals in the final years of the current rating lists need explanation. We have now received a paper from VO setting out Valuation Office work projection permutations in greater detail. This helps but does not provide information about the underlying assumptions. MSOR have agreed to help us look into this and other workload assumptions. Dr Chapman (MSOR) and Miss Hay (FP) have been asked to carry out the work with a view to reporting back to you by the end of June. The attached minute to Mr Battishill refers to the exercise and the details can be followed up at next Wednesday's meeting.

**CONCLUSIONS**

13. In summary, therefore, we would propose that of detailed examination of workload projections beyond revaluation should be subsumed into the proposed review of overall Government Valuation services. (You may wish to mention that exercise to Mr Battishill at Wednesday's meeting.) Charging in the local authority area of Valuation Office

work should be taken forward immediately and we are also proposing to review the assumptions underlying the VO appeals (and other) work projections before the end of June. Wednesday's meeting provides an opportunity to pursue these items with Revenue Officials but you may wish to consider warning Mr Battishill in advance of some of these points. A draft minute is attached. Withdrawal from RTB work is considered within FP to be a valid option to be pursued in the Survey. It is not covered in the attached draft but you may wish to explore the item at the meeting (eg what happened to the 1987 Staff Inspection recommendation?)

MJ Hoare

**M J HOARE**

919/074/alr

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**DRAFT MINUTE FROM FINANCIAL SECRETARY** **June 1988**

**cc Mr Fallows**

**SHORTAGE OF VALUERS: CHARGING**

We are to discuss the possible impact of 'charging' on Valuation Office workload on Wednesday.

I am grateful for the work that officials have done to produce the comprehensive paper on this difficult subject. I take the point that previous considerations on whether or not to introduce charging for Valuation Office work have always come against political constraints. However, on this occasion, there is a need to keep in mind the main priority namely to protect the revaluation exercise by choking off demand for other Valuation Office services. It seems to me that an impact on demand could most easily be accomplished in the Local Authority work area, particularly on Right to Buy. I recognise that colleagues have previously fought shy of charging in this area as to have done so might have suggested a lack of concern for the Right to Buy policy. However we are now faced with the realism that the level of work expected to fall on the Valuation Office during the period of revaluation exceeds the level of the resources available. I believe that my colleagues could be pursuaded to accept the introduction of charging if we can convince them that such a step is necessary to cope with the work that will be generated by the revaluation exercise.

I would be grateful if Wednesday's meeting could be used to consider how the necessary consultation exercise with DOE might be taken forward. I must confess however that I do not see the need to embark on a long round of conultations with the Local Authorities prio~~p~~r to an announcement of a decision to introduce charging in this area.

I have also been thinking further about what else might be done to solve the problems facing the Valuation Office. To some extent the immediate pressure has been removed as there can now be no question of using the Local Government Finance Bill. As you know, we are contemplating legislation to curtail or remove the right of appeal. However DOE Ministers are unlikely to see this as an attractive proposition and will need to be pursuaded to take the necessary legislative action. We need to be sure, therefore, that the level of work that will fall on the Valuation Office justifies further consideration of those options.

I think we must to look again at the 'shortage' figures to ensure that they are soundly based (for example are the assumptions underlying the forecast of appeals realistic). I am also concerned to know the implications in practice for the workstate from "muddling through". I recognise that there have already been some exchanges on a number of these issues but I would like to follow these up by asking the Treasury MSOR Unit to look at the underlying working assumptions so that we can all be agreed about the probable level of work and the depth of the problems which can be expected to face the Valuation Office in the immediate future.

It would be helpful if this part of the exercise could be done fairly quickly and I am therefore asking FP Division to make the necessary arrangements with Valuation Office officials and within the Treasury so that the work can be set in hand immediately. Perhaps you could let me know on Wednesday whether you see any problems to this.

NL

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**FROM: FINANCIAL SECRETARY**
**DATE: 10 June 1988**

**CHANCELLOR**

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr C D Butler
Mr Kelly
Mr Culpin
Mr Potter
Dr Chapman
Mr Cropper
Mr Call
Mr Tyrie
Mr Battishill IR
Mr Fallows CVO
Mr Pitts IR
PS/IR

Thanks. Content to proceed on these lines.

PS. What's the latest state of play on Rayner scrutiny of Govt. valuers service?

**VALUATION OFFICE**

I have now discussed Mr Fallows' minute of 18 May with officials. This minute summarises my conclusions.

Extent of the Problem

2. I strongly believe that before any firm decisions are taken on whether to charge for or withdraw from the work done for local authorities and other Government departments (including the Right to Buy (RTB) work) we do need to reach a clearer understanding of the projected shortfall in the number of professional valuers over the next few years. I have asked FP to examine the assumptions underlying the workload projections, which in turn underlie the staff needs projections. I will be writing to the Chairman shortly setting out in more detail the areas I would like FP to cover in this short investigation.

3. FP will report back to me at the end of this month. The Chief Valuer has made it clear that he will give FP any assistance they require.

Charging or Withdrawal: Handling

4. I think that if the FP investigation confirms that the current projections are soundly based, we would be in a strong position to approach colleagues with the argument that withdrawal/charging was absolutely necessary to ensure that there was no risk to the non-domestic revaluation.

5. If, on the other hand, the FP examination suggests (as they were inclined to believe) that the projected shortfall may not be as large as we have assumed, we might, if we wanted to press ahead with withdrawal/charging, have to rely more on arguments of principle.

6. I do not think that DoE and Territorial Ministers will be easily persuaded that the Valuation Office should reduce or curtail completely its involvement with the RTB work. I, therefore, think we need to be absolutely sure of our ground on the staff need projections before we decide whether to approach colleagues, and, if so, with what arguments.

Charging or Withdrawal: Substance

7. I see strong arguments in principle, regardless of the staff shortage issue, for introducing charging, on a full cost basis. Even if charging did not lead to a great reduction in demand for VO services, it would represent a degree of levelling-up of the playing field. From correspondence with MPs we know that some private sector valuation companies feel that it is unfair that they are forced to compete against a free service. The evidence, as far as RTB work is concerned, suggests that the private sector may actually be prepared to do the work more cheaply. (In other areas, however, the private sector charges may be much higher than the VO's).

8. But, although I believe we should keep in play the option of charging for the work done for local authorities and central Government departments, charging would not have a significant impact on the need for valuers over the next few years. The Chief Valuer's view is that many local authorities do not use

ie. whether or not the LAs choose to use the VOs services is often independent of the size (or absence) of a charge (according to Fallon)

the VO's services simply because they are free. He estimates that full cost charging for the <u>whole</u> range of OGD work would result only in perhaps a 10% reduction in casework overall, saving 10 valuers in London and the South-East and perhaps 35 in the rest of the country.

9. The direct way of reducing the demand for VO services would be to withdraw from certain areas of work altogether. De facto, this is what we will have to do anyway if the revaluation is to take priority over other areas of work and if the projected shortage of valuers is confirmed. It has also already been happening to some extent in London and the South-East in the last few years. The question is, whether we should 'formalise' this withdrawal or speed it up.

10. The least difficult option would be to carry on doing RTB and other work where that was possible, but to turn away this work when district offices could no longer deal with it as a result of other pressures.

11. This policy of gradual - office by office - withdrawal would be done in a very low-key way and would reduce the risk of colleagues raising objections (which might jeopardise our doing anything). It would also be both more certain in its effects than charging (which depends upon a behavioural response) and more controlled. The VO could withdraw only to the extent that and in the offices where there were shortages of valuers.

12. The fact that the VO have actually been operating a policy of gradual withdrawal anyway has been accepted by DoE and could now be extended to the rest of the country, eventually producing savings of up to 40 valuers over the next few years. (Some of these savings are already listed as a separate entry in the VO's proposed solutions to the shortfall problem).

13. In the immediate short term I think the VO should continue with this "softly softly" approach. But when we get the results of the FP investigation we will need to take a view on whether this gradualist withdrawal from RTB work is sufficient or whether we should contemplate either a controlled or a complete and immediate withdrawal from both or either of the RTB (which might save up to 100 valuers) and other work for Government departments.

14. Although the savings look attractive, the problem is that most of these (and <u>all</u> the savings from withdrawal from RTB) will be outside the real "problem areas" of London and the South-East. The Chief Valuer sees little prospect of being able to persuade the valuers released by this withdrawal from work areas to transfer to the South-East.

15. I think we need more information from the Chief Valuer on what the staff savings would be from either a controlled or a complete withdrawal from RTB and other work, and what contribution this would make to the problems in the South-East. We would also need to consider the PES implications of any significant withdrawal from work for Government departments.

<u>Conclusion</u>

16. The immediate question remains - just how bad do we think the shortfall in valuers is likely to be. I am putting in train a short investigation into the figures and assumptions underlying the current projections. When we get that report at the end of this month, we will be in a better position to assess the desirability and presentational difficulties of pursing either charging or withdrawal. Withdrawing from work areas is more likely to help with the shortfall in staff, but if full withdrawal, on further examination, proves to be unattractive, we may prefer to consider a more gradual withdrawal. We would also need to decide whether that should be accompanied by charging for work that continues to be done for other government departments.

Valuers are, surely, in mobile grades and can be <u>instructed</u> to move.

N.L.

NORMAN LAMONT

fp.ac.hay4

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[illegible]

BST is going to advise on this.

| | |
|---|---|
| FROM | MISS M HAY<br>DR R B CHAPMAN |
| DATE | 6 JULY 1988 |
| CC | Chancellor<br>Paymaster General<br>Chief Secretary<br>Sir Peter Middleton<br>Mr Anson<br>Mr Culpin<br>Mr Edwards LG<br>Mr Chivers<br>Mr Potter<br>Mr Gilhooly<br>Mr Hoare<br><br>Chief Valuer CVO<br>Mr Shutler CVO<br><br>Chairman IR<br>Mr Martin IR<br>PS/IR |

FINANCIAL SECRETARY

**REVIEW OF VALUATION OFFICE WORKLOAD AND STAFFING NEEDS**

**REMIT**

1. The attached report meets your remit that we undertake a study of the nature and depth of the Valuation Office's projected shortfall of valuers over the revaluation period. The report has been seen in draft by the Valuation Office, the Inland Revenue. Finance Division and Pay and LG divisions here. The VO have checked its factual accuracy.

2. You asked us to consider, in particular, the assumptions underlying the appeals projections, and the effects on these of the differing transitional arrangements, and the relationship between recent outturn achievements and current targets on non-revaluation work. You also asked us to form a view on whether there was scope for further devolution of work from professional to non-professional staff.

3. We undertook the fieldwork for the study over a very short time, and we were not able to examine some of the peripheral issues in any great depth.

Nevertheless we thought it important to flag these issues because they have implications in the shorter term for dealing with the shortfall problems, and in the longer term for the most appropriate use of scarce valuer resources.

4. We realise that some of the options we have considered raise politically sensitive issues but we have focused on the technical details; others are better placed to assess the wider ramifications.

**STRUCTURE OF REPORT**

5. We saw our investigation as addressing two fundamental questions:

(1) What is the extent of the Valuation Office's problem? - how realistic are the Valuation Office's assumptions on workloads, particularly appeals; what does this imply for the extent of the shortfall in professional valuers; and what does this in turn imply for arrears?

(2) What measures might be taken to alleviate the effects of any shortfall? - taking the workload as given, what steps could be taken to increase the productivity of the resources available; and what changes could be made to the workload so as to reduce demands on the Valuation Office?

6. We were primarily looking for measures with a short-term effect (ie during the revaluation period). We accept that these shorter-term measures will have to be complemented by longer-term measures so that short-term demands on staff are not perceived as a substitute for tackling longer-term problems.

7. What follows can be regarded as a menu of options, but in deciding on a package of measures, account will have to be taken of the measures' sometimes overlapping nature. In other words, if all measures were implemented, total valuer savings would be less than the sum of savings from individual measures.

**SUMMARY OF FINDINGS**

**The extent of the Valuation Office's problems**

8. We did have some reservations concerning some of the Valuation Office's workload projections, but in the main these related to the domestic appeals which have only a minor impact on professional valuer needs. On the non-domestic side

we found a number of factors affecting the possible level of appeals. These did not all point in the same direction, and were subject to a high degree of uncertainty, for example, general perceptions of ratepayers as to the relationship between a pre-revaluation appeal and the outcome of revaluation. There is a possibility that appeals will turn down significantly before 1990, but in our view the balance of probability is that the Valuation Office's projections will prove to be of the correct order.

9. We considered what would be the implications of a build-up of arrears as a result of a shortfall of valuers. We were not convinced that the profile of arrears build-up would be as dramatic as the Valuation Office have suggested (because we believe that their assumed output levels and therefore clearance rates are on the over-cautious side.). Nevertheless, we do think that there is likely to be a significant build-up of arrears on Revenue and Compensation work, with associated costs in terms of tax deferred and increasing administrative cost in handling the arrears.

10. The Valuation Office have said that six months' worth of work is the maximum level of arrears which would be acceptable. Although no doubt it would not be impossible to carry a higher level of arrears, for the reasons mentioned above we believe this would be undesirable.

11. We therefore concluded that some measures will clearly be needed to reduce the level of workloads and improve the utilisation of available valuer resources.

**Possible measures aimed at better utilisation of valuer resources:**

12. We have identified a number of measures which could be taken in the context of the existing workload demands on the Valuation Office:

- **additional overtime** - our view is that the contribution of the 25 man-years assumed by the Valuation Office could be increased without resort to increased overtime rates. Higher rates might bring forward even more overtime but we recognise the possible knock-on problems with this.

- **delegation** - our view is that this merits further investigation not only in the context of the shortfall, but also because the scope for delegation may be substantially reduced upon the exit of non-professionals working on domestic rating.

- **contracting-out/seconding-in** - we think this would be possible in some limited instances (subject to "conflict of interest" safeguards), and these should be examined. However, it does not represent a significant way of alleviating the short-term problem largely because it would exacerbate problems of morale and retention.

- **performance and incentives** - while we accept the VO's argument that targets on non-revaluation work should be adjusted to take account of the demands of the revaluation on experienced staff, our view is nevertheless that the target of 280 could be lifted to something between last year's target (280) and likely outturn (300) ie of the order of 290. In addition the possibilities for linking pay with performances should be explored..

- **transfers** - while the Valuation Office have exploited this option to a reasonable extent, our view is that the possibilities here merit further exploration, in particular, the scope for short-term, less disruptive secondments.

**Workload Reductions**

13. We have also looked at a number^of measures which could be taken to reduce the workload demands on the Valuation Office. These are:

- **Department of Environment cooperation on listing of appeals** - if Clerks to the Local Valuation Courts could be persuaded not to list both domestic and non-domestic appeals in the same hearings, this could enable provincial valuers to undertake some London and South east appeals work. Also, the Valuation Office have indicated to us that DOE are compounding their problems by pressing local Clerks to accelerate listings so as to "clear the decks" for post-1990 work. Our view is that DOE should be asked not to attempt to re-order the Valuation Office's priorities in this way (particularly given Treasury Ministers' requests that Revenue work be given priority second only to revaluation work).

- **Increase in Section 21 minimum** - section 21 exempts from rates the value of minor structural improvements (the current de minimis limit is £30 in 1973 prices). This option is already on the table; to save even modest numbers of valuers would require legislation. This option is noted here for completeness; we did not explore it further.

- **Charging and/or withdrawal from other Government Department work** -

  (i) extending **charging** beyond the current 10 per cent of work done for other Government departments could be used as a means of reducing demand for Valuation Office services in the longer term. Our brief examination suggested that charging could offer efficiency gains in some areas and should be given serious consideration.

- (ii) the Valuation Office have already indicated that in the short-term savings of 15 valuers could be achieved by limited **withdrawal** from some work in the recoverable service work area.

- (iii) **withdrawing from Right to Buy** - has been identified as a significant source of savings in the short-term. Our analysis confirmed this, and (leaving aside political considerations) our view is that there is an overwhelming case on efficiency grounds for withdrawal in short term in hard pressed areas and a strong case in the longer term for comprehensive withdrawal.

  (iv) **restricting of appeal rights** - restriction of non-domestic ratepayers' rights to make aggrieved person proposals (appeals) on the 1973 list, offers a substantial reduction in Valuation Office workloads in the revaluation period, and would reduce the shortfall accordingly.

**CONCLUSIONS**

14. As we have already indicated to you, our conclusion is that the Valuation Office are facing a substantial staffing shortfall and that this is likely to lead to an undesirably high level of arrears with associated revenue and administrative costs. We have identified a number of measures which could offset this shortfall in part through better utilisation of resources and reductions in workloads. But these do not go far enough. We therefore conclude that there seems no alternative but to ask Department of the Environment Ministers to agree

to legislate to restrict non-domestic aggrieved person proposals on the 1973 list to new occupiers and material changes in circumstances. It should be noted that the success of this measure depends upon the element of surprise - otherwise ratepayers may take pre-emptive action. It is, therefore, desirable to maintain strict confidentiality.

15. Even if this major measure is taken, we consider that it will also be necessary to implement some of the other options. We consider that all the measures we have listed above merit further exploration, but we recommend that immediate consideration be given to management initiatives aimed at (a) performance and incentives, (b) additional overtime, and (c) short terms transfers. We recommend also that a specific timetable be agreed upon for examining longer term measures, in particular, further delegation, where there is a danger of opportunities being lost following the abolition of domestic rates.

## NEXT STEPS

16. We have discussed with LG the possible implementation of a restriction on non-domestic ratepayers appeal rights in the event that Ministers decide to go down that route. They have indicated that any approach to DOE will need careful handling . The advantage of an early announcement in stopping the flow of appeals has to be balanced against the Exchequer cost of any concession on the transitional arrangements which DOE may try to extract from the Treasury (negotiations on the transitional provisions are unlikely to be completed before the autumn). If Ministers agree that this option should be put to DOE then LG will provide further advice on handling and timing

MH
RBC

MARY HAY
RALPH CHAPMAN

2157/59/JRF

CONFIDENTIAL

FINANCIAL SECRETARY TO THE TREASURY

FROM: **FINANCIAL SECRETARY**

DATE: **20 July 1988**

**CHANCELLOR**

Ch.

Mr Ridley may feel bounced by the suggestion that he make a statement next week. Perhaps a word with FST in the margins of Prayers?

AF 21/7

not there, it seems. AP

cc
Chief Secretary
Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr A J C Edwards
Mr Culpin
Mr Chivers
Mr Gilhooly
Mr Fellgett
Miss Hay
Dr Chapman
Mr Shutler - VO
Mr Pitts - IR
PS/IR

**VALUATION OFFICE: SHORTAGE OF VALUERS**

I have now discussed the Hay/Chapman Report with officials from the Treasury and Revenue and with the Deputy Chief Valuer.

2. The report identifies several management measures that might make some contribution to easing the Valuation Office's problems in the short-term - greater use of overtime, further delegation of work to non-professional staff, some contracting-out of work at the margin, a higher productivity target and another look at encouraging short-term transfers to London and the South East. Taken together, these might reduce the shortfall by 70 or more over the country as a whole. The Deputy Chief Valuer has agreed that these recommendations should be pursued. Obviously Treasury officials will need to be closely involved in any discussions about overtime rates or contracting-out (which would have resource implications).

3. But the main implication of the main report is that the shortage figures and the assumptions underlying them are soundly based. This, in turn, has two implications:

i. we have no alternative but to write to DoE; and

ii. we can do so, confident in the knowledge that the shortage is real, and that DoE will not be able to sidestep our proposals by quibbling about our figures.

4. I attach a draft letter for you to send to Nick Ridley. I am proposing that DoE agree to a package of proposals:

i. An increase in the Section 21 minimum

ii. Withdrawal from Right to Buy

iii. Restriction of Appeal Rights.

5. Of these, (i) would be a useful presentational quid pro quo for (iii) - an increase to £200 would have a cost of roughly £50m in revenue lost to local authorities in 1989/90 and to the NNDR pool thereafter. As far as (ii) is concerned, the Valuation Office continue to argue that the RTB work is attractive to staff. They would prefer to contract this work out in the short-term rather than withdraw completely. My view is that if we want to get the maximum valuer savings, we ought to withdraw altogether: there is little to be gained from involving the Valuation Office in a middle-man role between the local authorities and the private sector valuers.

6. Of course the key issue is (iii) which would save up to 150 valuers. To obtain the maximum impact we would need to persuade Nick Ridley to make an announcement before the Recess that with immediate effect non-domestic ratepayers' rights of appeal were being sharply curtailed. Retrospective legislation would then follow in the 1988/89 session.

7. It is clear that this will not be welcome to DoE Ministers. They already face considerable pressure on the NNDR, and will certainly argue that restricting appeal rights will make that pressure a lot worse (appeals can affect rate-bills into the mid-1990s by determining the start date for the transitional arrangements).

So do I AA

8. Moreover, LG division believe that Nick Ridley would be very reluctant to make another statement curtailing rights "from midnight tonight." Those affected would be businesses, including the small businesses who have lobbied so hard for special treatment in both Houses. LG fear that the quid pro quo, now or later, would be a net Exchequer injection to ease the transition to the NNDR and new ratable values, and they believe that we stand a better chance of persuading Nick Ridley to take action in the Autumn (when the extent of the transitional problems would be clearer.)

9. My own view is that we should press for an early announcement in order to get maximum impact. Our arguments are reasonably strong:

i. A significant proportion of non-domestic appeals come from companies which appeal <u>every year</u>, making annual attempts to reduce their rate-bills.

ii. As for the rest, they have had since 1973 to appeal - why should they be able to appeal now?

iii. Appeals will still be allowed for new properties, new occupiers and where there has been a material change in circumstances.

iv. The revaluation itself will be under threat if other work areas are not cut back.

10. In my view we have a strong case and the earlier we put it to DoE the better. We will need to consider who else would need to be copied into this correspondence.

NB suggested copy list at end of letter. AT

NL

NORMAN LAMONT

2157/68/JRF

Rt Hon Nicholas Ridley
CH.

**NON-DOMESTIC REVALUATION**

~~I have been taking stock of the implications of developments in the Valuation Office's work areas for the level and utilisation of their professional valuer resources.~~

It is now clear that on the basis of ~~projected~~ realistic projections of workloads, the Valuation Office of the Inland Revenue have an insufficient number of valuers to undertake the full range of work arising ~~in the revaluation period~~ during the period of the forthcoming revaluation of non-domestic rates. Indeed, the Valuation Office project a shortfall of the order of 300 in the number of professional valuers required to meet forecast work demands. If this mismatch of demand for the Valuation Office's services and their resources is not remedied the result will be a significant build-up of work arrears culminating in a backlog of the order of ~~2~~ two years' work. Such an outcome would pose a serious threat both to the completion of the revaluation, particularly in London and the South East and to the flow of capital tax~~ation~~ revenues to the Exchequer. I am sure you would agree that this would be unacceptable.

The general market for professional valuers is buoyant, and it is not possible in the short term to fill the gap by enhanced recruitment. I have, however, after a thorough internal review of the Valuation Office's operations and activities, asked the Chief Valuer to take a whole range of steps to reduce the problem, through, for instance, increased levels of overtime and, where approriate, delegation of work. These measures will make a useful contribution of perhaps the equivalent of 70 valuers.

But these supply measures will not be enough. I have therefore looked carefully at options aimed at reducing the demand for Valuation Office services.

A substantial proportion of professional valuer resources are tied up in dealing with ratepayers' appeals against the 1973 list. (Only non-domestic rating is relevant here: non-professional staff do most of the domestic rating work). One might perhaps have expected the level of appeals to fall off in the last two years of the old list. The Valuation Office's assessment is, however, that this will not be the case. The main reasons for this are:

- there is a significant body of ratepayers, including large retail chains, who employ agents on a retainer basis and make annual appeals.

- far from decreasing, interest in the 1973 list has increased. Agents are urging potential clients to appeal so as to get as low a value as possible for the purpose of getting maximum advantage from transitional relief. Some are even advocating appeals simply on the grounds that the Valuation Office, hard pressed with the revaluation, might be less rigorous than usual in resisting them.

I have reluctantly concluded that if our priority work areas - revaluation and revenue work - are to be safeguarded then this can only be achieved by reducing the level of this appeals work. ~~I therefore propose to~~ In other words, we shall have to restrict non-domestic ratepayers' rights of appeal. ~~I do not think we should~~ I am not proposing that we interfere in any way with ~~the~~ appeal rights where there has been a change either of occupier or of material circumstances. We would ~~only be removing~~ simply remove the right of appeal from those who have had adequate opportunity to appeal in the past, and many of whom may have already done so. Such a restriction would free 150 or so professional valuers for other work. To be effective, this measure would have to be implemented from the date of announcement, and given retrospective effect by legislation in the next session. The legislative vehicle is for you, but the Housing and Local Government Bill would seem appropriate.

I recognise that this will be controversial, but I think it ~~can be defended on grounds of principle (in particular that~~ is entirely defensible, given that those affected have had plenty of opportunity to appeal already; ~~-~~ the existing valuation list is ~~already~~ now some 15 years old). I recognise that an early announcement enhances the degree of retrospection required in subsequent legislation, but the earlier the announcement, the greater the effect on valuer needs. Moreover, delay risks the possibility of our intentions becoming public - there is already much agent speculation on this issue. This could lead to pre-emptive appeals. For these reasons, I would favour an announcement before the recess. An announcement before the Summer might in any case be preferable on presentational grounds since it would remove a peg on which rating/community charge issues could be hung early in the next session.

Curtailment of appeal rights will have a substantial impact on the Valu~~t~~ation Office's problem. But it will by no means remove these problems completely. I have therefore identified two further measures which would further reduce the gap. These are:

- an increase in the limit (Section 21 relief) below which the value of improvements are not assessed by the Valuation Office. An increase from £30 to £200 would make a worthwhile contribution. This could of course be presented as a sweetness since it would in effect reduce the total rate bill by something of the order of £50m in a full year.

- a complete withdrawal of the Valuation Office from right to buy work, in some hard pressed areas. In other words, this function would in effect be privatised.

Taken together with the steps I have identified to increase available resources, this package of options should enable the Valuation Office to devote adequate resources to our priority areas.

I realise that none of this will be welcome news to you, but I imagine it will not come as much of a surprise: I understand that your officials have already been in touch with mine recognising the potential problems, and the need to identify appropriate solutions. Subject to your agreement in principle, I suggest that we ask our officials to draw up the details of a package with a view to an announcement next week.

I am copying this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Sir Patrick Mayhew and to Sir Robin Butler.

**NIGEL LAWSON**

**CONFIDENTIAL**

Ch:/ Letter from Mr Ridley not here yet. Presuming it says 'no', content to write in the terms proposed? 25 27/7

OK [illegible]

**FROM:** R FELLGETT
**DATE:** 27 July 1988

1. **MR PHILLIPS**
2. **CHANCELLOR**

Given Mr Ridley's view on timing I could not make any progress for what is left of this week. But on the substance we did move forward and should get agreement in the autumn to the necessary statement.

HP. 27/7

cc
Chief Secretary
Financial Secretary
Paymaster General
Sir P Middleton
Mr Anson
Mr A J C Edwards
Mr Culpin
Mr Chivers
Mr Gilhooly
Miss Hay
Dr Chapman
PS/IR
Mr Fallows (VO)
Mr Pitts (IR)

**VALUATION OFFICE : SHORTAGE OF VALUERS**

Mr Phillips held a meeting this morning with VO and DOE officials to press the arguments for an early announcement removing the right of ratepayers to appeal against their current valuations, to help deal with the projected shortfall of professional valuers in the VO.

2. DOE officials explained that Mr Ridley is not yet persuaded that the advantages of limiting appeal (or technically Aggrieved Person Proposal) activity outweigh the political disadvantages of appearing to curtail the rights of business ratepayers. We understand that he had not himself looked at the issue until he received your letter; and Mr Howard had earlier been strongly opposed to curtailing appeal rights although the new Minister for Local Government may take a different view when he has had a chance to look at the issue. Mr Ridley is accordingly expected to write today in response to your letter to say that he is not willing to make an announcement before the Recess.

3. In our view, even if Mr Ridley could be persuaded to change his mind, there is now insufficient time to make a statement tomorrow - the last full day before the Summer break. An announcement would have to be drafted carefully in consultation



**CONFIDENTIAL**

255
130

with Parliamentary Counsel, to ensure that retroactive legislation could be drafted subsequently to implement it. A number of important details of the policy have yet to be settled; for example, the VO see difficulties in confining the action to business hereditaments and would like to consider extending it at least to mixed shops/flats and possibly to domestic rates as well.

4. The earliest possible announcement is therefore now October, when Parliament returns from the recess. We suggest that you aim to take a final decision with Mr Ridley before then. To this end, it would probably be helpful if we worked with DOE officials to persuade them in more detail than was possible at the meeting this morning of the risks to their policies if a substantial surge in appeal work diverted the VO from more productive activities. Discussions could usefully also cover variations on thepackage of policy options you put to Mr Ridley, to find the one that he is most likely to accept and to meet the VOs concern mentioned above.

5. We recommend accordingly. A draft response to Mr Ridley's letter is attached along these lines, although it may need to be adjusted slightly when we have his letter.

Robin Fellgett

R FELLGETT

Pse type final



**DRAFT LETTER FOR CHANCELLOR'S SIGNATURE TO THE SECRETARY OF STATE FOR THE ENVIRONMENT**

Thank you for your letter of 27 July.

2. If we do not act urgently to pre-empt a surge in ~~largely~~ opportunistic ~~frivolous~~ appeals against valuations on the 1973 Valuation List, there is a real danger that the Valuation Office will be unable to complete the rating revaluation in time to the high standard of quality that we need. That is why I favour an early announcement.

3. On the other hand, I quite understand why you are reluctant to make an announcement in the very short period now left before the Summer Recess. There are a number of practical details to be resolved. I therefore suggest that we work towards reaching a final decision during the Summer break, with a view to an announcement ~~when~~ as soon as Parliament returns in the Autumn. Your officials might like to discuss with mine in the interim the reasons why we feel that action is so important, ~~and~~ ~~discuss in detail~~ and set out the options following my letter, that have been identified for dealing with the problem.

4. I am copying this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Sir Patrick Mayhew and Sir Robin Butler.

[NL]

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SECRETARY OF STATE FOR THE ENVIRONMENT

CH/EXCHEQUER
REC. 29 JUL 1988
ACTION FST
COPIES TO

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

27 July 1988

Dear Nigel

Thank you for your letter of 22 July about the workload on the Valuation Office in the run up to the 1990 revaluation.

I accept that the build up of appeal cases in relation to the 1973 list is a problem given the under-resourcing of the Valuation Office. I am therefore prepared for my officials to consider with yours, measures which would reduce the number of appeals during the remainder of the currency of this list. But I have to say that I do not regard it as in any way practical to contemplate making a statement on this matter before the recess.

There had been earlier discussions between officials about alternative ways of restricting numbers of appeals. But they were not concluded. Any curtailment of appeal rights is bound to be controversial and considerable thought needs to be given to precisely what it is we announce in this complex area. The definition of what is meant by a physical or material change of circumstance which would justify a further proposal is likely to cause difficulties. If we cannot be clear about what we mean, then the resulting uncertainty will itself generate a large volume of proposals from businesses seeking to protect their position.

I see no prospect, with less than one week's notice, of devising a suitable statement.

Despite the risk you identify of our intentions becoming known, therefore, I think we must plan any statement for the autumn. Presentationally, it would be advantageous if the statement could be linked to the announcement of our more detailed proposals for the transitional protection following the revaluation. There is evidence, as you say, that agents are urging people to appeal against 1973 values in order to protect their position on the transition.

You raised 2 other items which you say will produce savings. On Section 21 relief, I am happy to consider some substantial increase in the limit below which increases in rateable value will not be taken into account. I have to say, however, that I

100% RECYCLED PAPER

have doubts whether the powers in Section 21 to increase the present limit from £30 are broad enough to encompass a limit of £200 which is currently the average rateable value of a domestic property and would therefore exclude virtually any extension to a house from being rated.

On your other proposal, I understand that the Valuation Office is already having to withdraw from providing valuation services for local authorities in connection with the right to buy in certain areas, and I do not wish to raise any objection to this. District Valuers will of course need to continue to deal with statutory determinations of value under Section 128 of the Housing Act 1985.

While I am prepared for my officials to continue to work with yours in trying to find solutions to this immediate problem, I do not think the matter should stop there. We have now agreed on a return to regular non-domestic rating valuations and we can expect preparations for the next revaluation to be taking place against a background of unprecedented appeals from the 1990 list. I think our officials should certainly be looking forward to 1995 to ensure that a similar situation does not arise then and to examine the possibilities for more computer assistance with future valuations.

I am copying this to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Patrick Mayhew and Sir Robin Butler.

Yours ever
Nicholas

NICHOLAS RIDLEY

lg.cj/fellgett/minutes/vo

CONFIDENTIAL

FROM: R FELLGETT

DATE: 29 July 1988

PS/CHANCELLOR (MR TAYLOR)

cc PS/Chief Secretary
PS/FinancialSecretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr A J C Edwards
Mr Culpin
Mr Chivers
Mr Gilhooly
Miss Hay
Dr Chapman
PS/IR
Mr Fallows (VO)
Mr Pitts (IR)

Ch/ Mr Ridley's letter arrived this morning - effectively pre-empting any further request that he should announce this week.

Content to write as proposed?

AF 29/7

Ok as [illegible]

**VALUATION OFFICE : SHORTAGE OF VALUERS**

Further to my submission of 27 July, I attach a revised draft letter to Mr Ridley now that his has arrived.

2. The one unexpected point in Mr Ridley's letter is his suggestion that officials also look urgently at the handling of appeals in the run up to the following (1995) valuation and at computerisation of the VO. This ignores the fact that appeal procedures will be different after 1990. It reflects DOE's belief that the VO should buy more expensive computers than have hitherto been shown in investment appraisals to be cost-effective. The draft therefore says that the priority for officials should be to tackle the immediate problem; appeals work in 1993 and 1994 can be considered rather later.

Robin Fellgett

R FELLGETT

lg.cj/fellgett/minutes/vo.2

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Pse type final

**DRAFT LETTER FOR THE CHANCELLOR'S SIGNATURE TO THE SECRETARY OF STATE FOR THE ENVIRONMENT**

Thank you for your letter of 27 July in response to mine of 22 July.

2. I am grateful for your agreement that the Valuation Office should continue to withdraw from right to buy work, in some hard pressed areas. As you say, this would not affect their statutory responsibility. Together with all the management steps we have identified, this will go some way towards meeting the immediate problem.

3. I remain concerned, however, that if we do not act urgently to pre-empt a surge in largely opportunistic appeals against valuations on the 1973 Valuation List, there is a real danger that the Valuation Office will be unable to complete the rating revaluation in time to the ~~high~~ standard of quality that we need. That is why I favoured an early announcement, with the aim of reducing the level of this appeal work.

4. On the other hand, I quite understand why you did not wish to make an announcement in the very short period that remained before the Summer Recess. A number of practical details remained to be resolved, including those mentioned in your letter, even if you had been able to agree to an early announcement.

5. You have suggested, and I agree, that officials should therefore consider the issues further. Mine will able to explain to yours in detail why we feel that action is so important, and discuss the options (including Section 21 relief) that, following

letter, have been identified for dealing with the problem. Officials should complete their work before the end of September, so we can take a final decisions during the Summer break, with a view to an announcement as soon as Parliament returns in the Autumn. We can then also consider whether to link an announcement to the details of transition, although I would be reluctant to delay an announcement about appeals any longer than is strictly necessary.

6. You also mentioned future non-domestic rating valuations, and the possibility of appeals against the 1990 List. I have noted the point, to which we will no doubt have to return, but I am sure that the priority should be to tackle the immediate problem we have now.

7. I am copying this letter to the Prime Minister, Peter Walker, Malcolm Rifkind, John Wakeham, David Waddington, Patrick Mayhew and Sir Robin Butler.

[NL]

CONFIDENTIAL

Bach pps are wrong ones - pl obtain right ones - eg Ch's letter of 22 July (x over) [I am afraid action may also be wrong - let's see] [ASAP pl]

M.

SOLICITOR GENERAL

ROYAL COURTS OF JUSTICE
LONDON WC2A 2LL

01-936 6269

CH/EXCHEQUER
REC. 19 AUG 1988
ACTION ~~MR POTTER~~
COPIES TO CST, FST, PMG, EST, SIR P MIDDLETON, MR ANSON, MR PHILLIPS, MR SCHOLAR, MR C D BUTLER, MR CULPIN, MR A EDWARDS, ~~MR ODEY~~ (ROPD), ~~MR STANDARD~~, ~~MR HOARE~~, ~~MR BATTISHILL~~, ~~MR WHITEAR~~ (~~F VAL OFFICE~~)

✓ 19/8 Mr. Fellgett
Mr. Gilhooly
Miss Hay
PS/IR
Mr. Fallows VO
Mr. Pitts IR

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON, SW1P 3AG

18 August 1988

Dear Nigel,

VALUATION APPEALS

I have seen the exchange of letters between you and Nicholas Ridley, which was copied to Patrick Mayhew, in connection with your proposal to restrict the right of appeal presently enjoyed by non-domestic ratepayers against the 1973 Valuation List. I am glad that you have both agreed that any announcement about this matter should be deferred, pending further discussion of your proposals, until after the Summer Recess, because Patrick and I would like to have the opportunity to consider what you have in mind in rather greater detail.

As I understand your proposal, you intend that the ratepayers' rights of appeal should be curtailed by amendment to the relevant provisions of the General Rate Act 1967, to be made in a Bill next session which would come into force with effect from the date on which the new policy is announced in the House. It appears not unlikely that, whatever Bill is chosen for the purpose - you have suggested the forthcoming Housing and Local Government Bill as one

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SOLICITOR GENERAL

possibility - it will not receive the Royal Assent until as late as October 1989, so that even an announcement deferred until the end of the Recess, will contemplate a delay of up to twelve months before the policy will receive legislative sanction. You will know that the Law Officers, have in the past advised that an anticipated delay of this order - particularly one which involves an announcement in one session and legislation in a later session - is constitutionally undesirable and should be employed only exceptionally. So that we may give some consideration to this aspect I would be grateful if we might please have particulars of the restrictions which you are proposing to the right of appeal and especially the criteria by reference to which those "who have had an adequate opportunity to appeal in the past" are to be identified and excluded.

In your letter of 22 July, you indicated that your proposed restrictions on the right of appeal would release about 150 Valuation Officers for other work, but that to be effective they would need to be implemented immediately. While it might be possible, subject to the constitutional considerations I have already mentioned, to operate the change retrospectively from the moment of Royal Assent, I am afraid that there can be no question of applying the restrictions in anticipation of the amending legislation. Any appeals which were to be entered after the date of your announcement, but prior to Royal Assent, would need to be processed and determined in the normal way under the existing rules and with the appropriate degree of exposition. Any attempt by the Inland Revenue to anticipate the passing of the amendments by purporting to restrict rights of appeal by administrative action or by delaying the preparation of appeals, would, I am sure, be met with an application for judicial review, which could hardly fail to succeed.

SOLICITOR GENERAL

I hope that your officials will be able to let mine have more details of what is proposed by way of amendment and also as to the manner in which the appeals system is to be operated pending Royal Assent so that Patrick and I may consider the matter further.

Yours ever

Nick.

CONFIDENTIAL

Valuation Office

New Court
Carey Street
London WC2A 2JE

Telephone 01 - 324 1126

1. Mr Heard 26/8

2. Mr Isaac Away

3. Chancellor

From: O T MORGAN

Date: 26 August 1988

Ch/ content to write as drafted?

OK

MPW 30/8

**VALUATION APPEALS**

1. In his letter of 18 August, Sir Nicholas Lyell expressed concern about the legislative procedure that might be used to curtail non-domestic rating appeals. He referred to earlier advice of Law Officers that there should be little delay between any announcement of intended curtailment and the carrying into effect of the necessary legislation. He asked for particulars of the intended restrictions so that he, and the Attorney General, could further consider the position.

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| | | | |
|---|---|---|---|
| cc | PS/Chief Secretary | Mr Culpin | Chairman (O/R) |
| | PS/Financial Secretary | Mr Chivers | Mr Isaac |
| | PS/Paymaster General | Mr Gilhooly | Mr Fallows |
| | Sir P Middleton | Miss Hay | Mr Heard |
| | Mr Anson | Dr Chapman | Mr Pitts |
| | Mr Phillips | | PS/IR |
| | Mr A J C Edwards | | |

OTM20-9

2. You wrote to Nicholas Ridley on 22 July about an early restriction of non-domestic ratepayers' rights of appeal and he responded with the suggestion that it might be appropriate to couple such an announcement with that about transitional arrangements, planned for the Autumn. You agreed that officials should meet to consider the available options and we have been commissioned to report before the end of September.

3. One meeting of Treasury, DOE and VO officials has already taken place and we are considering the different options, including the problem identified by the Solicitor General. For the reasons he gives, we had already agreed that the Housing and Local Government Bill was unlikely to be suitable for the necessary legislation, and we will now take account of the other concerns expressed in his letter.

4. The most efficient way forward, and one that Sir Nicholas hints at in the final paragraph of his letter, is for his officials to be involved at this stage in our consideration of the various options. The reply is drafted accordingly.

O T MORGAN

CONFIDENTIAL

pl type final for Ch to sign -

DRAFT LETTER FOR CHANCELLOR'S SIGNATURE TO THE SOLICITOR GENERAL

VALUATION APPEALS

In your letter of 18 August, you expressed concern about the way in which the proposed curtailment of non-domestic rating appeals might be brought into effect, and you asked for further details of what was intended by way of appeal curtailment.

I have agreed with Nicholas Ridley that our officials will meet to consider the necessary details, and they have begun that work. They are to produce a report by the end of September, for our further consideration.

It seems sensible to involve your officials in that process, so that they can consider the different options, and advise on the appropriate constitutional and legal issues.

I understand that arrangements have been made accordingly.

[NL]

OTM20-9

Valuation Office

S H Keith MA FRICS FRVA
*Assistant Chief Valuer*

New Court
Carey Street
London WC2A 2JE

Telephone 01 - 324 1166

1. DCV
2. Mr ~~Pitts~~
3. Financial Secretary

25 October 1988

**PUBLICITY FOR THE VALUATION OFFICE PROPERTY MARKET REPORT**

This note is to seek approval for National and Regional Press Releases in connection with the above publication.

The Report has been in production since 1974, although it is only since 1983 that it has been available for sale commercially by means of a publishing contract with Surveyors Publications (the publishing arm of the Royal Institution of Chartered Surveyors). Under the terms of a new agreement, the publishers will pay royalties on all sales in addition to supplying 350 free copies for distribution within Government Departments. The Autumn 1988 edition is to be in a revised format with an updated design. The Report will now be published annually with a six month statistical update, rather than six monthly as previously.

The initial reason for producing the Report in 1974 was to assist in the co-ordination of values between 140 plus District Valuer offices in England and Wales so that DVs are aware of values in adjoining areas. But it has expanded considerably and now the

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cc PS/Chancellor
PS/Chief Secretary
PS/Pay Master General
PS/Economic Secretary
PS/Sir Peter Middleton
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Gieve
Mr Tyrie

Chairman
Mr Painter
Mr Fallows (CVO)
Mr Pitts
Mr Bush
Mr Shutler (CVO)
Mr Keith (CVO)
Mr Jaundoo
Miss McFarlane (Press Office)
PS/IR

HVP/Keith33

Report provides property statistics and an independent guide to the property market for use inside and outside Government. It has attracted considerable interest and is widely accepted in the property world as an independent source of information. This helps towards maintenance of morale of staff in the VO where there has been recent and continuing difficulties in staff retention.

Between 1983 and last year the publicity for the Report was in the hands of Surveyors Publications, but was disappointing, often too little and too late. For the Autumn 1987 edition a joint marketing exercise was undertaken between the Press Office and Surveyors Publications which resulted in a dramatic increase in the level of sales. It is proposed to adopt a similar approach for the current edition, which is due to be released in the week commencing 7 November 1988.

A National Press Release is enclosed. This has been prepared in conjunction with the Press Office and approval for its issue is requested. This will be supplemented by some limited Regional Press Releases giving general information on the Valuation Office database etc together with some extra detail on items of specific interest to that region. If the National Press Release is approved the Regional Press Releases will be scrutinised carefully within Chief Valuer's Office before publication.

S H KEITH

INLAND REVENUE

Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01—438 6692 OR 6706

[Ox] November 1988

## SURVEY OF PROPERTY MARKET PUBLISHED TODAY

The Property Market Report (PMR) (Autumn 1988 No 49) is published today. The PMR is a comprehensive survey of transactions in all types of land and buildings nationwide over the last year. It contains reports from Inland Revenue District Valuers working around the country and tables of statistics extracted from the largest property database in the country.

Amongst trends identified are:

- continuing high levels of activity across many sectors of the property market, despite a minor diversion following the Stock Market crash;
- a good year for the industrial market with increased activity and interest leading to substantial rises in value in many parts of the country;
- signs of a recovery in the agricultural sector, particularly on the dairy side;
- increased activity in the office sector mainly around the M25;
- a surge in prices paid for licensed properties with a potential to diversify (eg. into pub/restaurants, cafe bars);

The survey also covers housing, commercial developments and property investment, shops, enterprise zones and minerals. Special features include a pen picture on the development of Oxford, how redundant Victorian mills in West Yorkshire are now being used and the City of London.



/The report is

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The PMR costs £49.95 and is available from Surveyors Publications, 12 Great George Street, London, SW1P 3AD (personal callers only) or by Mail Order (0256 55234). A 48 page statistical update will be sent to PMR purchasers in Spring 1989 at no further cost.

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**NOTES FOR EDITORS**

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rc.27.10.4

FROM: ROBERT CULPIN
DATE: 27 October 1988

FINANCIAL SECRETARY

cc: Chancellor
Sir Peter Middleton
Mr Scholar
Mr Gilhooly
Mr Gieve
Mr Tyrie

Good points.

Yes indeed. Nothing must be published until the FST is entirely satisfied. N.

**PUBLICITY FOR THE VALUATION OFFICE PROPERTY MARKET REPORT**

The press release which the Valuation Office has sent you (25 October) looks an own goal. It almost sounds as if we want to boast about the overheated state of the property market.

2. I can't redraft it, because I have no idea what the Property Market Report shows: I have not seen it. But the most obvious question to ask is when the statistics were collected. The press notice doesn't say. But commentators will want to know whether or not the figures are affected by the recent increase in interest rates, and if so what effects they are picking up.

Nor have we.

3. We need to know the answer to this. And I suggest you ask the Revenue to change the over-exuberant tone of the handout.

4. It also raises a question for the future. Since we are so desperately short of people in the Valuation Office, do we really need to tie up valuers in publishing this report? Maybe we do: as I say, I haven't seen it. But you might ask.

RC

ROBERT CULPIN

RS65FST.42

FINANCIAL SECRETARY TO THE TREASURY

FROM: R C M SATCHWELL

DATE: 28 October 1988

**MR KEITH - VALUATION OFFICE**

cc 2 PS/Chancellor
PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Scholar
Mr Culpin
Mr Gieve
Mr Gilhooly
Mr Tyrie

Mr Pitts - IR
PS/IR

**PUBLICITY FOR THE VALUATION OFFICE PROPERTY MARKET REPORT**

The Financial Secretary has seen your minute of 25 October.

The Financial Secretary has asked whether we need to publish this report; is it simply because the Valuation Office has a large data base? He would also like to know if sales of the report in previous years have made a profit.

The Financial Secretary has also commented that the tone of the Press Release as drafted will sit uncomfortably with the Government's recent action to try to curb overheating in the property market. He would therefore be grateful for advice on when the figures in the report were collected, and whether they have been affected by recent increases in interest rates.

R.C.M.S.

R C M SATCHWELL
Private Secretary

Valuation Office

S H Keith MA FRICS FRVA
*Assistant Chief Valuer*

New Court
Carey Street
London WC2A 2JE

Telephone 01 - 324 1166

1. DCV
2. Mr Pitts
3. Financial Secretary

Ch/ Press Release just about tolerable now, I think.

OK

2 November 1988

4/11

**PUBLICITY FOR THE VALUATION OFFICE PROPERTY MARKET REPORT**

I refer to your minute of 28 October 1988.

Following comments from some recipients a revised Press Release is enclosed.

Historically the Valuation Office Property Market Report was produced by the IRVO on an annual basis from 1965 and on a quarterly basis from 1974, as a summary of property market activity and on the basis of factual evidence it indicated likely market trends for different types of property. The Report was not then publicly available but was sent to Ministers and other interested officials in DOE, DTp and various other Government Departments.

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cc PS/Chancellor
PS/Chief Secretary
PS/Pay Master General
PS/Economic Secretary
PS/Sir Peter Middleton
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Gieve
Mr Tyrie

Chairman
Mr Painter
Mr Fallows (CVO)
Mr Pitts
Mr Bush
Mr Shutler (CVO)
Mr Keith (CVO)
Mr Jaundoo
Miss McFarlane (Press Office)
PS/IR

HVP/Keith42

(hereafter, IRVO)
The Valuation Office throughout its network of District Valuers Offices has a necessity to keep in touch with the property market generally, monitor its trends and record its transactions. The District Valuers' intimate and expert knowledge of the property market is necessary in order that they may fulfill their various roles in property valuation, amongst which are valuations for tax purposes for the Board of Inland Revenue; the acquisition of land and property for DTp purposes and valuations for other client bodies such as Local Authorities, Housing Associations, DHSS and DOE. The Property Market Report is a summary of the information already collected and collated by the District Valuer network.

The original quarterly Reports were always well received by Government Departments and assisted their monitoring of particular policies which are inter-related with the property market.

Before changing the format of the quarterly return to a bi-annual publication IRVO consulted widely with Government Departments for comments and suggestions as to content and format as a means of improving the existing Report. This culminated in the production of a new style bi-annual Report which commenced with the Autumn 1983 edition.

The Report does not contain any confidential information but represents the views of District Valuers throughout the country based upon factual information covering such a wide geographical base and a vast source of information it provides a national up-to-date appreciation of the property market and an indicator of broad trends in its various sections. As such it is clearly of value to the property world generally and a decision was taken to make it more widely available and it was published publicly from Autumn 1983.

The Report itself is produced and edited by the IRVO before being passed to Surveyors Publications (a subsidiary of Surveyors Holdings a commercial branch of the RICS). Surveyors Publications meet all the costs of printing, marketing and distribution and in addition initially supplied 300 free copies to the IRVO for distribution to its clients, as well as paying a royalty based upon numbers sold.

In Autumn 1987 it was decided to rationalise the production of the Report and change to an annual format commencing in Autumn 1988 with an update of statistics only in Spring 1989. This enables the publishers and IRPO to undertake a major annual marketing exercise and reduces the workload of IRVO whilst maintaining the overall quality of the Report. Following this change a major redesign and reformat has been undertaken at considerable expense to Surveyors Publications and a revised two year agreement produced giving the the IRVO 350 copies and a revised royalty fee, again based on sales. Clearly with the revised format, a high volume of sales are required to justify the expenditure by Surveyors Publications and a target of 1,000 copies has been postulated.

The Report is well received in the property world. ~~and~~ but sales of the bi-annual report have fluctuated over the years due to poor marketing by Surveyors Publications, so substantial profits were unlikely. However it is not felt that the production of the Report represents a burden on the taxpayer, as information contained therein is already assembled to enable the IRVO to carry out the duties referred to above, and all production costs are borne by Surveyors Publications.

The Autumn 1988 Report is constructed from opinions of value and comments supplied to Chief Valuer's Office in questionnaire form by the 131 District Valuers (together with an input by Chief Valuer Scotland and the Commissioner of Valuation Northern Ireland). The questionnaires were received on 1 September and for most types of property covered the period 1 October 1987 to

1 October 1988 (opinions of value adopting a base date of 1 October 1988). The increases in interest rates in June, July and August were taken into account in the preparation of the Report, with suitable reference being made to the possible future effect of these changes. However, it must be appreciated that the Report is designed to cover movements and changes over a one year period.

To summarise, the Property Market Report is considered to be a vitally important publication by the IRVO, it gives a unique opportunity to demonstrate its professionalism and expertise at a minimal overall cost. At the same time it helps establish staff morale and a feeling of "esprit de corps".

For your information the scheduled release date of the Report is 8 November 1988.

S H KEITH

It would scarcely - if at all - be practicable to stop publication at this late stage, and costly - in cash as well as morale - if it could be done. But we have toned the Press Release down to meet your concern, in particular to make it clear that the report is using past data.

The property world will expect publication.

3/11.

INLAND REVENUE

Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB
PHONE: 01–438 6692 OR 6706

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