

PO-CH/WL/0289
PART A

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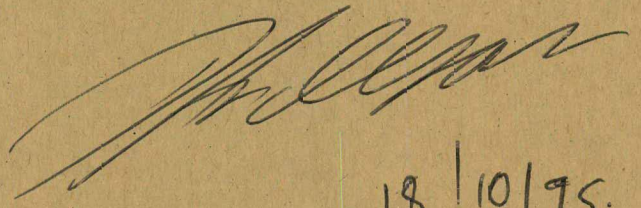

 PO -CH /NL/0289

 PART A

Chancellor's (Lawson) Papers:

TREASURY AND CIVIL
SERVICE SELECT COMMITTEE
1989 PAPERS

Disposal Directions: 25 Years



18/10/95.

PO -CH /NL/0289
PART A



FROM: S M A JAMES
DATE: 10 January 1989

PS/CHANCELLOR

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Sir P Middleton
Sir T Burns
Mr Scholar
Mr Peretz
Miss O'Mara
Mr Rich
Mrs Chaplin
Mr Patterson - DNS
Mrs Cullum - DNS

*3 pts. Just
(The CB will not be attractive to investors, so
tax payers, so
contribute productively)*

put in (Mackenzie)

BRIEFING FOR BACKBENCHERS ON CAPITAL BOND

... I attach a revised version of the briefing for backbenchers on National Savings Capital Bond circulated (not to all) as a first draft last night.

2. The briefing has been reworked by the Economic Secretary. It reflects the Chancellor's comments, except that the Economic Secretary would prefer to retain the wording of 'b' of tax treatment as in the attached draft.

3. I would be grateful if any further comments from recipients could reach me by 10.30 am tomorrow please.

this was one of my changes, not yours!

*↑
[if they're lucky]*

SMAJ

S M A JAMES
PRIVATE SECRETARY

NATIONAL SAVINGS CAPITAL BOND

The new Capital Bond announced by the Chancellor of the Exchequer at the Conservative Party Conference in October was launched on 3 January. Following the launch, Peter Lilley MP, the Economic Secretary to the Treasury said "The Capital Bond is designed to give a fresh stimulus to personal savings. I believe it will prove an attractive way for people to save and will tap additional longer term saving. The Capital Bond is a clear affirmation of the Government's commitment to encourage personal saving".

Main Features

The introductory issue of the Capital Bond offers a guaranteed return over 5 years equivalent to 12% p.a. *[Add that only 1st issue gets this rate: hurry, hurry?]*

for a limited period.

Interest is earned gross i.e. without deduction of tax at source (see below). *[This first issue may only be available]*

Annual interest is accumulated and paid out at redemption. So a £100 bond held for the full five years will be worth £176.24.

Investors can withdraw their money on 3 months notice. But to encourage investors to save for the full five years the amount of interest credited rises steeply: at the end of the 1st year - 5.5%, 2nd 8.5%, 3rd 11.5%, 4th 14.5%, 5th 20.6%.

Bonds are sold in multiples of £100, with a minimum of £100 and no upper limit. Only personal savers (not businesses) may invest in the Bonds.

Attractions

The Bonds are likely to be attractive to all long term savers who wish to take advantage of today's unusually high interest rates by 'locking in' to them for a 5 year period.

X They will be particularly attractive to non-taxpayers - including non-taxpaying married women who will be entitled to their own tax allowance from next year, *and children.* *of course,*

But they will also be of interest to basic rate taxpayers - since the introductory terms of this first series of the Capital Bond are particularly generous at just over 9 per cent a year after tax, well above the 7 1/2 per cent on the current 34th issue National Saving Certificate. *They know,*

~~Top rate taxpayers, too, will note that~~ they can invest unlimited amounts in Capital Bonds but only £1000 of new money in the current fixed interest National Savings Certificates.

Tax Treatment

Taxpayers are liable to tax on the interest when it is credited.

Some press comment has suggested that this treatment is novel or unattractive. These allegations are mistaken.

- (a) The tax regime applicable to Capital Bond interest is exactly the same as that applying to all other savings products where the interest is credited or paid gross of tax. It has caused no problems in practice.
 - (b) It would be very unfair to defer tax liability until redemption. Taxable interest would then all fall in the final year so some non-taxpayers could find themselves forced to pay tax and some basic rate taxpayers could be forced to pay at the higher rate.
 - (c) Timing of tax liability is no problem to non-taxpayers. Those who do have other income will mostly be on Pay As You Earn. Their tax codes will be adjusted and they will usually pay out of subsequent year's income. This is precisely what happens with existing products like the National Savings investment account and deposit bond, both of which accumulate interest in a similar *way.* In practice even with these products, where savers can withdraw cash with no penalty to pay their annual tax liability if they wish, *Customers* seem not to do so. Investors prefer to pay by adjustment of their tax code.
- X X

FROM : MISS J C SIMPSON
DATE : 11 JANUARY 1989

PS/CHANCELLOR 14/2

PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
PS/Sir Peter Middleton
PS/Sir T Burns
Mr Culpin
Mr H P Evans
Mrs Lomax
Mr Peretz
Mr Sedgwick
Mr Pickford
Mr McManus - IR
Ms French - C&E

Ch
X overleaf seems to be
completely inappropriate
timing.

I agree.
Pls fix a date with
TH, ASAP. M.

TREASURY AND CIVIL SERVICE SELECT COMMITTEE : WORK PROGRAMME FOR WINTER 1989

The Clerk rang me this evening with the results of the Committee's deliberations about their programme of enquiries for the period between now and Easter.

(a) They have decided that they will not be pursuing the question of tax credits at least until after the Budget.

(b) They are reactivating their trip to Japan, and intend to go fairly soon after the late Emperor's funeral. They will be in touch before long about any supplementary information either they or we think desirable. The rest of the international monetary arrangements enquiry will also be relaunched.

(c) They intend, starting on 25 January, to reactivate the sub-Committee looking at the Civil Service, under Mr Radice's chairmanship. They intend to look at the problems of recruitment and retention of staff in the Inland Revenue and Customs and Excise, initially on the basis of information in those departments' annual reports. Both departments have already been alerted.

X | (d) They want to do some more work on the quality of official statistics. They will be seeking to take evidence from the CSO, as well as pursuing further with Treasury officials some of the issues they have already touched on eg in the Autumn Statement enquiry. These hearings will probably be on 1 and 8 February. (I did point out that this might not be very popular with EA.) The details, however, are still to be worked out.

(e) Evidence on the PEWP is most likely to be taken on 15 February.

The Clerk and I also agreed that as soon as the date of the Budget has been announced, we will be in touch about the dates for the Budget enquiry hearings.

B

MISS J C SIMPSON



COMMITTEE OFFICE
 HOUSE OF COMMONS
 LONDON SW1A 0AA
 01-219 3285 (Direct Line)
 01-219 3000 (Switchboard)

cc PS/Sir P Middleton
 Li T Burns
 N Pochy
 N Ledgwick
 N Pickford
 PS/CEX
 1412
 [Signature]

To note X - I fear as
 chances of getting out of this
 as the grounds of inconvenience
 are pretty slim.

B 13/1

TREASURY AND CIVIL SERVICE COMMITTEE

[Signature]

12 January 1989

Dear Judith,

The Committee decided yesterday to conduct a short inquiry into official economic statistics.

Accordingly they have asked me to invite Treasury witnesses to attend to give evidence on Wednesday 1 February at or after 4.30 pm. Particular issues of recent concern to the Committee have included the different measures of GDP, and figures for savings and the balance of payments.

X

The Committee hope also to take evidence from CSO witnesses that afternoon. I have written in similar terms to Mr J Hibbert at CSO.

Yours sincerely,
 George

G CUBIE
 Clerk of the Committee

Miss J C Simpson
 HM Treasury
 Parliament Street
 LONDON
 SW1P 3AG

pwp

FROM : MISS J C SIMPSON
DATE : 19 JANUARY 1989

MR H EVANS

Ch/ For info.
D/S

cc PS/Chancellor
PS/EST
Mr Wicks
Mr Peretz
Mr Melliss
Mr Savage
Mr Molan

✓

TCSC VISIT TO JAPAN

The TCSC have decided that the coast is now clear for them to rearrange their visit to Japan in connection with their international monetary arrangements enquiry.

They have asked if we could update the memorandum which we did for them for the aborted visit in October. This is to be at our discretion - they are not looking for the sort of comprehensive rewriting which that exercise represented, but if for example any figures have changed, they would like to have those updated.

They plan to leave on 27 February. They would like the updated memorandum by 17 February at the latest.

B

MISS J C SIMPSON



D B Rogers CB
Director General

THE BOARD ROOM
INLAND REVENUE
SOMERSET HOUSE

Telephone: 01-438 6789

FROM: D B ROGERS
DATE: 20 JANUARY 1989

FINANCIAL SECRETARY

**TCSC HEARING ABOUT STAFF LOSSES IN THE REVENUE DEPARTMENTS ON
WEDNESDAY 25 JANUARY**

1. Miss Simpson's note of 11 January about the Treasury and Civil Service Committee's work programme from now until Easter explained that:

- TCSC were reactivating their Sub-Committee under the Chairmanship of Giles Radice MP; and
- they intended to hold a hearing on 25 January to take oral evidence from both Inland Revenue and Customs and Excise about staff losses (problems of recruitment and retention).

In the case of the Revenue we know they are likely to want to follow up some of the issues touched on in Chapter 4 (personnel) of the Board's Report (published in December). We are expecting more details in the next day or so.

cc	Chancellor	Sir A Battishill
	Chief Secretary	Mr Isaac
	Paymaster General	Mr Painter
	Economic Secretary	Mr Rogers
	Sir P Middleton	Mr Beighton
	Mr Scholar	Mr Shutler
	Mr Beastall	Mr P B G Jones
	Mr Culpin	Mr Crawley
	Mr Gilhooly	Mr Matheson
	Miss Simpson	Mr Cherry
	Mrs Chaplin	Mr Langford (VO)
	Mr Tyrie	Mr Roberts
	Mr Unwin)	Mr Bush
	Mr D Howard) Customs	Mr McManus
	Miss French)	Mrs Walsh
		Miss McFarlane
		Mr I Thompson
		PS/IR

2. We understand that the Sub-Committee are thinking in terms of a joint hearing involving both ourselves and Customs at the same time. This note sets out in general terms the line we propose to take on possible questions. Customs are making a similar submission to the Economic Secretary.
3. The Sub-Committee recognise the short notice, and have not asked us to submit a formal Memorandum before the oral evidence session. However, they have asked whether we can provide some figures beforehand (up to the Wednesday morning) showing:
 - a. how resignations have increased in recent years, disaggregated by grade and by Region to reveal where they are running at a particularly high level;
 - b. whether length of service in grade varies between Regions (ie whether staff have less experience on average in London than elsewhere);
 - c. Departmental projections over the next few years of future staff shortages.

We think it would be sensible, given this specific request, to provide the Committee with some figures under a. and b. (we expect to be able to put up a draft for your approval on Monday) but propose to tell the Committee that there is nothing we can let them have on c. because there are just too many uncertainties.

4. The Inland Revenue team giving oral evidence will probably consist of:

Mr P B G Jones	- Personnel
Mr J M Crawley	- Finance & Manpower
Mr G H Bush	- Central Division
Mr J Langford	- Valuation Office Management and Personnel

5. Provided you are content, we propose to take the following general lines in response to questions:
 - a. Pay: to confine our remarks to factual information including details of recent improvements targeted on staff groups such as Inspectors and Valuers where the problems of recruitment and retention are most acute, the IRSF long term agreement and - if necessary - some reference to what is publicly known on current developments (including the fact that NUCPS and CPSA are in discussion with the Treasury about the possibility of long term pay agreements).

b. Supply measures: to focus attention on the wide range of measures (apart from pay) which are being used to boost the supply eg:

- enhanced recruitment;
- increased internal selection for specialist training;
- regrading of work and improved career structure;
- non-pay factors affecting conditions of service. These include mobility, flexible work patterns, part-time working, improved training and development; scheme for reinstating staff who resign for domestic reasons;
- relocation of work: (we have a good story on past exercises (most London PAYE work was exported in the 1960's) and current exercises, such as EXIT LONDON, though naturally we shall need to be guarded on what we say about current reviews where we have yet to put proposals to you and no decisions have been taken);

c. Effect on workstate: to put in perspective fears about staffing difficulties having an adverse impact on the Department's workstate and coverage of its work (we accepted in our recent Annual Report there have been some difficulties particularly in London and the South East where staff turnover poses problems for local managers, but in general the Department is more than holding its own);

d. to confirm what is said in our Annual Report about the need to continue to search for ways of administering the tax system in order to contain the Inland Revenue's demand for skilled manpower; (including computerising, eg BROCS, efficiency scrutinies and staff inspection and other reviews, and also, subject of course to Ministers, legislative possibilities).

6. On the following Monday (30 January), Tony Battishill will be giving evidence to PAC and may be required to cover some of the same ground. We will be letting you have a note about this next week but there is one point - the line to be taken on Keith (if this were to come up) - which it may be helpful to put to you at this stage. I attach an Annex on this.

7. We would be grateful for confirmation that you are content:-

- a. with the general line prepared for TCSC questioning;
- b. with the prepared line on Keith (see Annex) for PAC.



D B ROGERS

Encls

PAC : KEITH IMPLEMENTATION

1. In his minute of 1 September last, Mr Matheson brought the Financial Secretary up to date with our computer developments. He reported on the completion of COP (the conversion of Centre 1 to COP subsequently took place successfully during the autumn) and the implementation of CODA across the country. He also reported the outcome of a report by consultants on the timing and content of the various phases of BROCS. This had had to be considered inter alia against the background of the introduction of independent taxation in 1990. The review had given us confidence that we could secure in 1990 the implementation not only of independent taxation but of the first phase of BROCS relating to PAYE. It had also enabled us to bring forward into that year the computerisation of our claims work which will be particularly helpful given independent taxation. At the same time it had set a timetable for the second phase of BROCS relating to Schedule D and corporation tax, for linked matters such as OCTA (the computerisation of corporation tax assessing) and CT Pay and File, and for the introduction of interest on unpaid end of year PAYE. The timetables for the three final phases of BROCS were also provisionally scheduled subject to further review.

2. No public announcement has been made of these later timetables, nor do we suggest that the time is yet ripe to do so. However, the Chairman is due to appear before PAC on 30 January and, given their previous interest in the progress being made on the implementation of the Keith recommendations, it seems possible that there will be questioning on the subject (although neither the C&AG's report nor the recent Treasury Minute specifically refer to Keith). Generally, of course, good progress is being made: there was legislation in both the last Finance Acts and the consultative document issued last July contained detailed proposals on almost all the remaining issues which would require legislation. Most of the proposals not requiring legislation have also been implemented.

3. PAC could however enquire about the state of play on those proposals which are already on the statute book and which are stated to come into force not earlier than 31 March 1992, ie interest on end of year PAYE and CT Pay and file. On these, we do not think that the Chairman should imply to PAC that 1992 remains a likely implementation date. Rather, he might say that although no firm decisions have been made or announced, we were with Ministers' agreement now working to a timetable which would see their introduction during 1993. He could, if asked, explain the background along the lines set out above.

4. PAC might also ask about plans for introducing automatic penalties for PAYE. The July consultative paper proposed a gradual tightening up of the penalties for PAYE leading, but not before 1992, to the introduction of automatic penalties. On the revised and provisional timetable for the later phases of BROCS, automatic penalties for PAYE could not be introduced before 1995 at the earliest. Again, we do not think that the Chairman should imply to PAC that 1992 remains a possible implementation date. Rather, he might say that, although here again no firm decisions have been made or announced, the gradual tightening up of penalties could start within the next year or two, should Ministers so decide. But the introduction of automatic penalties would require computer support which would not be available for some years. He could, if asked, explain that this would be in the longer term and would be later than 1992. There does not seem to be a need to be any more precise than that.

5. Finally, PAC might also ask about the possibilities of introducing a system analogous to CT Pay and File for unincorporated businesses. This remains, however, very much for the longer term and again there does not seem to be a need to be any more precise than that.



Board Room
H M Customs and Excise
New King's Beam House
22 Upper Ground
London SE1 9PJ
Telephone: 01-620 1313

Director Personnel

FROM: D J HOWARD
DATE: 20 JANUARY 1989

ECONOMIC SECRETARY

TCSC: INQUIRY INTO RECRUITMENT AND RETENTION PROBLEMS

1. As you may know, we have been invited, together with Inland Revenue, to give evidence to the Treasury and Civil Service Committee sub-committee on Wednesday 25 January in connection with its inquiry into Recruitment and Retention problems. We understand that the Committee does not intend to seek evidence from other witnesses at present.

2. The hearing has been arranged at short notice and in view of this, and the recent appearance of our Annual Report, the Sub-Committee is not pressing us for written evidence in advance. Moreover, we have only today received (orally) a highly provisional list of likely areas of questioning. A rather more definite list is promised for Monday - although, as ever, Committee members will be free to depart from the list.

3. A copy of the provisional questions is annexed. As you will see, they are heavily skewed towards pay and relocation. At this stage at least there is remarkably little in the proposed questions themselves about recruitment initiatives, marketing, advertising etc to which we have been giving a good deal of attention in recent months.

Distribution: Chancellor
Chief Secretary
Financial Secretary
Paymaster General
Dame A Mueller
Mr Culpin
Mr Kelly
Mrs Chaplin
Mr Tyrie
Mr Call
PS/Inland Revenue

Chairman
Mrs Strachan
Mr Jefferson-Smith
Mr Russell
Mrs Boardman
Mr Romanski
Mr Hodson
Ms French

4. For the most part the provisional questions seem to be based on fact, or points which we should properly answer as managers. In one or two instances - particularly the references to "private sector methods" and the case for paying "private sector rates" - they threaten to stray into points of potential controversy which as Departmental officials we should seek to avoid getting embroiled in. We propose to try and keep all answers to a broadly factual basis.

5. There has been a separate indication that the Committee is likely to ask for a written memorandum dealing in detail with wastage rates, including breakdowns by grade and region, since 1982-83 (a year apparently perceived by the Committee as a benchmark in Civil Service Pay terms) and certain other points. Most of the information is fairly readily available for the past three years. We are undertaking a quick exercise to establish whether it is practicable to provide in a meaningful way for the earlier period. Any such memorandum would not be required until after the hearing, and we would propose to clear its terms with you before dispatch.

6. We shall keep you informed of developments. I expect to be leading the Customs and Excise representation, supported by Mrs Boardman who is the Grade 5 with responsibility for recruitment policy and possibly one other at that level.



D J HOWARD

Local pay additions

- What percentage of staff receive LPAs?
- What criteria do we use in awarding them?
- How successful have they been in solving recruitment and retention problems in the south east?
 - Which grades, if any, are specifically targeted?
 - How do we ensure their use is efficient; are they given to staff already in post or used to attract new staff?
 - Is use of LPAs restricted to particular geographical areas or can they be used wherever problems arise?
 - Have we drawn any lessons from the private sector's methods of dealing with recruitment and retention problems?

Relocation

- What benefits have been seen from the relocation of staff in the past? Have they been quantified?
- Which areas of our work do we consider particularly suitable for relocation?
 - Which, if any, of our operational functions could not be dispersed or relocated out of high cost areas?
 - Would use of (further) computerisation make it possible to remove staff from the south east?

Regional removal expenses

- What schemes, if any, do we have to help with extra housing etc costs incurred by staff moving to high cost areas?

London weighting

- Has the increase of inner London weighting to £1750 helped to retain staff, or is it necessary to pay private sector rates?

Levels of morale

- The published resignation rates suggest morale is low, is this true?

Rapid staff turnover

- Does the resignation of staff who have only just been trained place greater burdens on grades below and above? If so, what form do these burdens take?

- Is there any provision for making staff who leave when only just trained contribute to their training costs? If not, would it be feasible to introduce such a scheme?

Non-financial inducements

- What is our attitude to providing nurseries, creches etc in order to retain women staff?

Demographic changes

- What long-term plans have we made to prepare for problems arising from the estimated 30% drop in school leavers by 1993?

→ flex - ok?
power need to tell anyone? 10/4



7/4
June.

Ch/

Terence Higgins suggests
the next TCSC hearing
be held on Monday 10 April.
Dany is clear.

They are seeing the Gov
on Thurs 6 April.

Content?

June
1972

OK
sub 21 ✓
Thoughts
Alex ✓
have ✓

Judith

OK. Please
tell Judith Surjan

done

Alex

from Rt Hon Terence L Higgins MP



C. Faith Simpson

10/4

COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
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TREASURY AND CIVIL SERVICE COMMITTEE

24 January 1989

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

Dear Chancellor,

This is to confirm the arrangements which I understand have been made at official level for the Committee's forthcoming Budget inquiry.

We hope to take evidence from Treasury officials on Wednesday 22 March, from the Governor on Thursday 6 April and very much hope that it will be possible for you to provide the wind-up to the inquiry on Monday 10 April at 4.30 pm.

Best wishes
A. L. Higgins
[Signature]

RT HON TERENCE L HIGGINS
Chairman