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Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

13 December 1989

Miss C E J Bush
PS/Secretary of State for the
Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

Prime Minister 2

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Dear Kate,

ANNOUNCEMENT ON GOVERNMENT VALUATION SERVICES

The Chancellor was most grateful for the supportive responses he received to his letter of 23 November on this subject.

In the light of these, he proposes to announce the Government's main decisions by means of an arranged Written Question and Answer on Friday of this week. Drafts of this and of a full background note for staff are attached.

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I am copying this letter and the attachments to the private secretaries to the Prime Minister, all other members of the Cabinet and Sir Robin Butler.

Yours sincerely,
Duncan Sparkes

DUNCAN SPARKES
Assistant Private Secretary

WRITTEN
15 DECEMBER 1989

MR: To ask Mr Chancellor of the Exchequer what plans the Government has for valuation services and if he will make a statement.

MR JOHN MAJOR

In the light of studies carried out by an interdepartmental group of officials, the Government has taken the following decisions affecting the Government's valuation services and the management of Government property.

2. First, a project team under Treasury leadership will investigate how best to set up consistent and compatible databases for each of the Government's main property estates, to be used both for purposes of capital asset management and for assessment of Government contributions in lieu of rates. The team will begin work shortly.

3. Second, Departments will by April 1991 be 'untied' for valuation work which does not need to be undertaken in-house. Such work will be considered for market testing and contacting out. Valuations for the purposes of assessing liability to business rates and other taxes will continue to be done in-house.

4. Third, in general valuation services provided by Government valuers, whether to Government Departments or to other bodies, should be charged for. The aim is to introduce charging from April 1991.

5. Finally, the deployment of Government valuers will continue broadly as now, except that the Inland Revenue's Valuation Office will take over from April 1991 responsibilities for valuation of the Government's estates for rating purposes from the Treasury's Rating of Government Property Department, which will cease to exist from that date. Consideration will be given to establishing parts of the Government's valuation services as Executive Agencies.

GOVERNMENT VALUATION SERVICES :

BACKGROUND NOTE FOR STAFF

Introduction

The Government's decisions on valuation services, announced today, follow interdepartmental studies of the Government's future valuation requirements and of how valuers can best be deployed to meet those requirements.

2. The interdepartmental studies began by acknowledging the key role played by Government valuers and estate surveyors in many areas of Government policy. It is recognised that in most areas they are (and will continue to be) well placed to provide services which combine good value for money with professionalism, consistency, confidentiality, independence and impartiality.

3. In reaching their decisions, Ministers have been conscious of a number of important developments which will affect the demand for valuation services over the years ahead, in particular -

- i. the change from a system of local business rates to a national non-domestic rate, and
- ii. the increasing emphasis on efficient management of capital assets inside the Government.

They have also been conscious of the continuing shortage of valuers in recent years and the consequent need to assign clear priorities and deliver the requirements for new and existing services in the most cost-effective way.

4. The Government's decisions relate mainly to databases, untying, charging and deployment of valuers.

Databases

5. Ministers have decided that a project team under Treasury leadership should investigate how best to set up consistent and compatible databases for each of the Government's main property estates such as the Defence, NHS, Home Office and Civil Estates, to be used both for purposes of capital asset management and for assessment of Government contributions in lieu of rates. The team will be set up shortly.

6. The intention is that all these databases should draw as far as possible on the existing data held by the Treasury's Rating of Government Property Department (RGPD). They should also draw on other information already gathered by Departments.

7. The intention is that the databases would include, for all Crown property in each of these estates:

- i. basic data, including location, use, land-area and floorspace,
- ii. rental values (used inter alia for contributions in lieu of rates),
- iii. existing use capital values (where the Crown has freehold or a long leasehold), and
- iv. any available information on development values (again where the Crown has freehold or a long leasehold).

The responsible Departments would keep them up to date by incorporating in the databases all major changes. Information on the rateable values of properties would be available for public inspection as appropriate.

8. Inland Revenue valuers would be responsible for: giving guidance to the Departments concerned on preparation of the databases and ensuring maximum consistency and compatibility between them; deriving on their own responsibility rating valuations from the data in the databases; and making existing use capital valuations where requested.

9. The project team under Treasury leadership will include representatives of the Inland Revenue Valuation Office, CCTA and the Departments responsible for the databases.

10. The team's objective will be to prepare the way, through the development of databases, for

- i. better informed management of property within the central Government;
- ii. better informed capital asset management generally; and
- iii. cost-effective methods for assessing contributions in lieu of rates on Government properties.

11. The team's task will be to produce a more detailed specification for developing the databases on a consistent basis, with the help of information technology. The team will give particular attention to cost-effectiveness. It will also investigate how best to develop information bases for capital assets other than property and land, such as IT and machinery. Account will be taken throughout of work already under way in a number of Departments.

Untying

12. The Government has announced that Departments will by April 1991 be 'untied' for valuation and estate surveying work which does not need to be undertaken in-house. Such work will be considered for market testing and contracting-out.

13. Government valuers' main existing work on valuations for rates and other taxes, policy advice and oversight of valuation systems and applications, representing about 65 per cent of the existing workload, will continue to be done in-house. The remaining 35 per cent of the workload, including work for local authorities, provision of estate management services, compensation work and advice to farmers, will be considered for market testing and contracting-out. Although the Government's valuation and estate surveying services are likely over much of the field to be

well placed to provide best value for money, the Government will be ready to employ private sector firms whenever they have specialist knowledge not available in the public sector or are cheaper or can better respond flexibly to peaks in work.

Charging

14. The Government has also decided that valuation and estate surveying services provided by Government valuers, whether to Government Departments or to other bodies, should in general be charged for. At present, some Government valuation and estate surveying services are charged for, while others are not. The intention is that valuation and estate surveying services provided by one Government Department to another should be charged for as well as services provided to other bodies in the public sector or to the private sector. The aim would be to introduce universal charging with effect from April 1991.

Deployment of valuers

15. The Government has decided that the deployment of Government valuers will continue broadly as now, except that the Inland Revenue will take over from April 1991 responsibility for valuation of the Government's estates for rating purposes from the Treasury's Rating of Government Property (RGPD), which will cease to exist from that date. Consideration will be given to establishing parts of the Government's valuation services, including the Inland Revenue Valuation Office, as Executive Agencies within the Government. Departments will not be permitted to create new in-house valuation capabilities where they do not already exist.

16. The broad aim of the new arrangements will be to clarify objectives, responsibility and accountability through the transfer of financial responsibility to customer Departments (with charging, untying and market testing) without losing the advantages in terms of economy, feasibility, co-location of rating and other capital tax work, professionalism and career structure in retaining broadly the existing deployment of Government valuers and estate sureyors.

Demand for valuation services

17. Consideration has also been given to what scope there may be for reducing the demands on Government valuers and estate surveyors so as to ease the problems arising from the continuing shortage of professional staff. Although no new decisions have been taken in this area, the first priority will continue to be work in connection with business rates and other taxes, and where appropriate lower priority will be given to tasks for local authorities and others which the Government is under no obligation to perform. Consideration will also be given to possible simplifications in the present systems for assessing business property for rates.

Valuation Services Advisory Committee

18. Ministers have decided that, for as long as present organisational arrangements continue, a Valuation Services Advisory Committee of officials representing the users and providers of valuation and estate surveying services should meet at least once a year, ahead of the public expenditure Survey, to review demands and priorities. This Committee will be chaired by a senior Treasury official.

Timetable

19. The objective will be to make maximum progress on all the areas described in this note in the course of next year. The transfer of responsibilities from RGPD and the implementation of charging for valuation services, as described above, will both take place in April 1991.

Scotland

20. Databases will also be prepared for each of the Government's main property estates in Scotland. The Scottish Office will be considering with those concerned how the principles underlying these decisions are to be applied in Scotland.

