



Treasury Chambers, Parliament Street, SW1P 3AG  
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5 April 1984

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DMB  
6/4

Dear David,

SCRUTINIES AND VALUE FOR MONEY

Your letter of 8 March enquired about progress on scrutinies in the Chancellor's two revenue Departments.

Customs 1982 Scrutiny of Import Entries

The report of this scrutiny was not published until 26 October 1983.

The two principal recommendations are highly controversial - the reduction of controls demanded by other Government Departments and the registration of Customs agents. Since publication, Customs have needed to undertake extensive consultation with the Departments and trade interests concerned and these are only just reaching completion. The draft action document should reach Ministers by the middle of this month but we fear it may not be possible to reach agreement with other Departments at both official and, if necessary, Ministerial level within that timescale.

Inland Revenue scrutinies

Two of the three Inland Revenue scrutinies were held up while Ministers considered the future of the rating system but they are now making worthwhile progress. The other scrutiny has already achieved over 1,500 staff savings with a further 120 probably still to come from a major computerisation project.

(i) Rayner review of rating procedures

This Rayner scrutiny was completed in 1980 and proposed simplified procedures for altering the current valuation list, with potential savings of 270 staff. Progress was delayed while Ministers took decisions on the future of rating as a whole. DOE issued a consultative document in September 1983 and following consideration of the response by DOE and Treasury Ministers, proposals were included in the current Rates Bill. These should achieve up to 70 staff savings by 1986-87.



Another item in the Rates Bill could produce 25 further savings but the scale of the savings depends on the extent to which Rating Authorities choose to become involved in appeals after April 1985. We should achieve a further 40 savings in the Valuation Office when the valuation lists are computerised but this will not occur before 1986-87.

DOE and Treasury Ministers have agreed that of the 270 staff savings identified, the balance of around 135 cannot be achieved under existing local authority arrangements for dealing with revised rating assessments. At present, they are processed manually but the resulting delays mean that the change recommended by the Rayner scrutiny could not sensibly be implemented at present and would probably achieve no staff savings. However, the Inland Revenue intend to return to this point when Rating Authorities have made further progress with the computerisation of their procedures.

(ii) Schedule D

This scrutiny was completed in 1981 and the recommendations which were accepted yielded potential staff savings of around 1,650. All but one have now been implemented and over 1,500 staff savings have been achieved in the Revenue.

The outstanding recommendation concerns the procedure for notifying to the Revenue's computerised Accounts Offices amendments to the amount of tax charged in an assessment. At present, the computer performs a check by reconciling the amended charge with the original charge and rejects cases where there is an error. The scrutiny recommended abolishing this check. But experience of the automated collection system has revealed difficulties which have led in some cases to the issue of incorrect demands for tax.

The problems lie in the combination of a manual assessing system and an automated collection system. They could not have been foreseen at the time of the scrutiny. If they could have been, the recommendation would almost certainly not have been made. The solution is to automate the Schedule D assessing process. This would allow the final slice of savings to be achieved from the Schedule D scrutiny but could also give other advantages in terms of improved service and substantial staff savings. Treasury Ministers are now considering proposals for introducing such a system over three years, starting in 1987-88.

(iii) Rayner review of visits

Savings in the Inland Revenue's Collection Offices of around £650,000 per annum have already been achieved by implementing proposals from this scrutiny. The bulk of the staff savings



identified by the scrutiny (around 260 staff) relates to proposals to reduce the number of visits made by Valuation Office staff. The recommendation is that for domestic property they should work instead from plans deposited with the local planning authority.

Ministers agreed initially that no action should be taken on this recommendation until decisions had been reached on the future of rating. However, the Inland Revenue have now started a pilot survey to see how often plans are available and what differences result in practice from the present assessments, based on visits, and those resulting from details of plans. Full results should be available from the survey by the end of 1984. Depending on the findings, there may need to be consultation with DOE Ministers who would be responsible for any necessary legislation.

I am copying this letter to those who received yours.

*Yours sincerely,*

*Margaret O'Mara*

MISS M O'MARA



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## 10 DOWNING STREET

*From the Private Secretary*

8 March 1984

### Scrutinies and Value for Money

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that significant decisions are still outstanding on the Customs 1982 scrutiny of Import Entries and on three of the Inland Revenue scrutinies (Rating Procedures of 1980, Schedule D of 1981, and visits to the public of 1982). She would be grateful if Treasury Ministers would consider how early decisions on these matters can be reached and firm dates set for obtaining the improvements.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

John Kerr, Esq.,  
HM Treasury