EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233 7359

6 August 1984

David Trippier Esq MP
Department of Trade and Industry

Dear David,

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

Following our talk on Wednesday about organisation of the scrutiny agreed at the Prime Minister's meeting of 24 July, I am writing to confirm how I see the way forward.

2. The task of the scrutiny will be to examine in relevant departments:

(1) What the main obstacles are to reducing compliance costs substantially;

(2) In which areas, modification, simplification or abolition of burdens would make the biggest difference to those comtemplating starting business or expanding;

(3) How far our competitors in Western Europe and the USA have fewer burdens;

(4) In the light of (1)-(3) which areas of regulation it is most feasible to amend;

(5) How, in future, compliance costs should be taken into account when new proposals are formulated and the burden of existing regulations etc kept under control.

and to draw together any wider lessons.

3. The exercise will be run on scrutiny lines. It is important that each Minister appoints an examining officer whose job is to conduct an investigation, following scrutiny principles, in the relevant department. (These principles are codified in our Notes of Guidance for the conduct of scrutinies and I am enclosing copies for you and other recipients in case you have not seen them.) The appropriate level for these examining officers is Principal or equivalent. Essential qualities are a questioning mind and an ability to propose solutions to problems.

4. I put great emphasis on having departmental reports prepared by departmental officials because government objectives pull in different directions (eg the revenue depaatments are under pressure in Parliament to tackle the black economy and that may mean more burdens on small business.) It is vital that the balance of compliance costs and other benefits, in each case, is struck in one place under one Minister and not aggravated by divisions between Departments. Hence, the output from the departmental contributions will be a short report on each department which will form part of a larger report on the exercise as a whole.

5. As compliance costs arise from a number of different sources in different departments,however, it will be necessary to take an overview of the position and to ensure proper co-ordination between the departmental studies. This will be done by a small central team, best led at Assistant Secretary level, which will work under my guidance and prepare a report for the Prime Minister on the lessons which span more than one department. As the Minister responsible for the welfare of small firms it is appropriate for you to appoint the Assistant Secretary. What is needed is not so much someone who knows about small firms already as someone who will look at these matters with a fresh eye and will be able to learn from the experience of the experts in this area and will relate closely to the examining officers in the individual departments. He would also be responsible for the DTI domestic report.

6. From the Efficiency Unit I will put Kit Chivers, an Assistant Secretary of considerable experience, to stay in close touch with the central team and to help them. Before he joined the Efficiency Unit, Mr Chivers led the recent scrutiny on the Urban Programme and is therefore well equipped to know the type of help required. But I should emphasise that his role will be to support the team and I regard it as absolutely vital that leadership should come from someone appointed by you as the responsible Minister.

7. On timing, we might look for examining officers to be appointed by the end of August and for the work to start in earnest in the first half of September, finishing by Christmas.

8. Departments we might look to to join the study are: the Inland Revenue and Customs & Excise, the Home Office, the DOE, the DHSS, and the Department of Employment Group. I am therefore copying this letter and enclosure to their Secretaries of State. The Chancellor of the Exchequer might also wish to provide a really bright Principal to join the central team. Copies also go, for information, to the Prime Minister, Norman Tebbit, Lord Gowrie and Sir Robert Armstrong.

Yours ever,

Robin Ibbs

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

4 October 1984

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
London SW1

NBPM

D Robin,

All members of the team scrutinising administrative and legislative burdens on business have now been nominated. You will wish to know the terms of reference and timing I have in mind for the study.

2 In the light of the suggestions in your letter of 6 August to David Trippier, I propose that the terms of reference should be -

" To review, within the framework of Government policy on taxation and public expenditure, the burden imposed on business by administrative and legislative requirements of central and local government, with particular reference to smaller businesses;

to ask: -

- what are the areas in which reductions in compliance costs would make the biggest difference to business, especially to small firms;

- what are the main obstacles to securing a substantial reduction in these costs;

- what areas of regulation should be amended;

- how compliance costs should be monitored and kept under control."

3 In pursuing this remit the team propose to:-

a take as "given" existing Government policies on taxation and public expenditure (so they will not recommend options involving significant additions to public expenditure; or substantial changes in the incidence or levels of taxation; or in national insurance rates);

b link the work to the wider "cost consciousness" and "better management" objectives underlying the FMI;

c have regard throughout to the cumulative impact of requirements which may hitherto have been considered individually and in isolation;

d place the primary emphasis on small firms.

4 The focus of the scrutiny will be on the scope for reducing compliance costs by eliminating, simplifying or otherwise modifying existing requirements. In assessing this, account will of course have to be taken of the benefits which such requirements produce for the community as a whole and/or for business itself.

5 Where appropriate, the scrutiny will look at the role of Government advice and assistance in helping firms cope with requirements more easily. Other kinds of support for business will lie largely outside its scope (regional assistance, for example, the Youth Training Scheme, public purchasing and so on). But the team should, I think, be free to touch on the detailed application of any support schemes which their discussions with business suggest may make life unnecessarily difficult for applicant firms.

6 Smaller firms see the employment protection legislation as one of the major "administrative and legislative" burdens. This is, of course, a sensitive area at present. But it would be difficult to leave it entirely out of the scrutiny - not least because I frankly do not see how we could explain such an omission to business and other outside interests concerned.

7 I think therefore that the scrutiny should examine the cost of compliance with employment protection law on the lines envisaged in its terms of reference. But decisions on the scope and timing of any changes in employees' existing rights should be taken on the basis of the separate exercise which Tom King has set in hand, as agreed at the Prime Minister's meeting on 24 July. I hope the scrutiny will make a positive contribution to that work.

8 As to the timing of the scrutiny, I hope that the seven "Departmental" studies (within Inland Revenue, Customs, Home Office, DoE, DHSS, DEm, and my own Department) will be completed by Friday 21 December; and that the report on wider lessons will be completed by Friday 25 January 1985. In other words, the aim is to complete the whole exercise within the normal 90-day scrutiny time limit. That will be very tight indeed - so it is all the more important for colleagues to give this work the priority and backing it deserves.

9 I am copying this letter to the Prime Minister, Nigel Lawson, Leon Brittan, Patrick Jenkin, Tom King, Norman Fowler, David Young, Grey Gowrie and to Sir Robert Armstrong.

Yours
Norman

NORMAN TEBBIT

4.69

CX/0

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1 October 1984

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
LONDON SW1

NSPM
cc
3/10

Dear Robin

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

I have seen your letter of 6 August and David Trippier's of 21 August about this proposed inter-departmental scrutiny. I am sorry not to have replied sooner but I can now confirm that both Customs and Inland Revenue will contribute to this and have selected scrutiny officers. I understand that it has also been agreed that a Treasury official from one of our Industry divisions should attend meetings of the Central Team where this is appropriate.

I am sure that both Revenue Departments will be able to make a worthwhile contribution to this examination of the inter-action between business and Government. As you know, much has already been done in the tax field. We have introduced many measures to improve the fiscal and administrative climate for new and expanding businesses and work continues. I am, however, taking it that all those involved accept that the scrutiny will not cover budgetary matters affecting the burden of tax on small firms; these are, of course, under continuous review as part of the Budget process.

There have also been substantial achievements on the procedural side which have eased the compliance burden on employers. Simplifications in the income tax system such as MIRAS have reduced the number of coding alterations employers have to make. The scrutiny may want to look at procedures. But it should be understood that any recommendations for major changes may be difficult to implement in the short term, as the Revenue are now committed to introducing a fully computerised PAYE system across the country over the next three years. The timetable for this is tight, but achieving it is crucial to meeting the Revenue's manpower target at April 1988 and we must not do anything which might jeopardise the timetable.

I ought also to sound the warning note that VAT, despite its high profile, may not be very fertile ground for scrutiny, mainly because we are so much constrained by EC legislation. This is not to suggest that VAT be excluded from the scope of the scrutiny, but simply to say that some of the most attractive options have in the past proved incapable of achievement because of our European commitments.

We have already identified two main specific areas that the Inland Revenue scrutiny should cover:

a. Presentation to employers of their role in operating PAYE. If this is done effectively, it should benefit them, the Revenue and the flow of tax to the Exchequer. There is scope for a review of the method of communication and the material currently used to see if it best meets the needs of employers. The central team may like to follow this up and go on to consider whether there is duplication of information between Departments and scope for issuing information from different Departments at one point.

b. There are some areas of interest to traders as taxpayers in their own right where the Revenue have as yet published little information. These concern control visits to traders' premises and procedures in investigations to determine the amount of tax due. Work is in hand on drafting but the scrutiny could advise on how best to present this material to help traders. Again, there could be a central theme here on the way Departments publicise their practices in visits and investigation.

Customs and Excise agree that these are useful areas for study. So far as communication with employers/traders is concerned, however, you will wish to bear in mind the possible overlap between this scrutiny and the one already under way about the handling of enquiries from the public. As regards traders' rights, Customs and Excise have now sent to print their notice about control visits to traders' premises ("Visits by VAT officers"), which sets out in simple terms what to expect when the VAT officer calls and the trader's rights and obligations.

The scrutiny team will need to take account of the fact that we already have under review the recommendations of the Committee under Lord Keith of Kinkel, which was charged to enquire into the enforcement powers of the Revenue Departments "having regard both to the need to ensure compliance with the law and to avoid excessive burdens upon taxpayers" (Cmnd 8822 and 9120: the Final Report, on Customs' matters only, is at the printers). The recommendations relating to VAT are to be the subject of legislation in the 1985 Finance Bill and there would be no advantage in the scrutineer attempting to cover this ground again. The Inland Revenue are now consulting with the representative bodies on the recommendations. This is a lengthy report requiring detailed consideration and I doubt if the scrutiny could cover all this ground satisfactorily in the time available. The group of proposals concerning a code of practice (paragraph 4b above) is, however, self-contained and does not depend upon legislation. If the central team require more briefing on the follow-up work to the Keith Report, the Revenue and Customs will provide it.

I am copying this letter to the Prime Minister, Leon Brittan, Patrick Jenkin, Norman Fowler, Norman Tebbit, Tom King, Grey Gowrie and Sir Robert Armstrong.

Yours
Nigel

NIGEL LAWSON

Gov Mach
Rayner
Rev

JW

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
London
SW1A 2AS

September 21st.

Dear Robin.

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

Thank you for sending me a copy of your letter of 6 August to David Trippier. My Department will be happy to participate and our scrutineer is Mrs Evelyn Somerville, who I know is already in touch with Mr Chivers at your Unit and with Mr Brecknell at the Department of Trade and Industry.

Given our involvement in several new scrutinies between now and the end of the year, we have, as I mentioned in my letter to you of 16 August, had to re-think the proposed Autumn start for the liable relatives scrutiny. I think that our participation in the scrutiny of administrative and legislative burdens must take priority and, as I mentioned, there are strong arguments for not embarking on liable relatives until the scrutineers can take account of the outcome of the current reviews of both supplementary benefit and benefits for children and young people. I hope that you will find this proposal acceptable.

I am copying this letter to the Prime Minister, Norman Tebbit, Nigel Lawson, Leon Brittan, Patrick Jenkin, Tom King, Grey Gowrie and Sir Robert Armstrong.

Yours ever. Norman

NORMAN FOWLER

Rangus

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 3781
GTN 215)
(Switchboard) 215 7877

From the Parliamentary Under Secretary of State for Industry

AT 3/9

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
LONDON SW1A 2AS

1) Mr Turnbull: to see
2) pa

31 August 1984

Dwb
3/9

Dear Robin,

This is to let you and others concerned know that I have decided to appoint Nigel Brecknell, an Assistant Secretary in the Department, to co-ordinate the inter-departmental scrutiny of administrative and legislative burdens and to be responsible for the DTI domestic report which will form part of this scrutiny. Mr Brecknell will be getting in touch shortly with Mr Chivers in the Efficiency Unit and should be able to devote himself full-time to the scrutiny from around the middle of September.

I am sending copies of this letter to the Chancellor of the Exchequer and the Secretaries of State for the Home Department, Environment, Employment and Social Services all of whose Departments will be engaged in the scrutiny. Copies also go for information to the Prime Minister, Lord Gowrie and Sir Robert Armstrong.

Yours ever
David

DAVID TRIPPIER

cc Prime Minister
Chancellor of the Exchequer
SoS Home Office
SoS DoEnv
SoS DoEmp
SoS DHSS
Lord Gowrie
Sir Robert Armstrong

PS/SoS
PS/Sir Brian Hayes
PS/Sir Anthony Rawlinson
Mr Cooper PE&FO
Mr Simpson MSM2
Dr Morton PM1
Mr Ledsome PM
(with papers)

CC NO

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing and Construction

24 AUG 1984

My Ref: J/PSO/16029/84

Dear Robin,

File with DB

NSPM

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

You copied to Patrick Jenkin your letter of 6 August to David Trippier about the scrutiny of administrative and legislative burdens on industry which you are conducting.

In Patrick's absence, I am writing to say that we support entirely the case for the scrutiny and will readily make a contribution on the lines you have suggested. I have asked that the scope of the study within DOE should not be limited to the major area of planning controls but should cover other regulatory systems and any regimes of discretionary grant which have relevance to the needs of industry.

We are now in the process of identifying a scrutiny officer, and my officials will be in touch with yours very shortly to get our part of the review under way.

I am copying this letter to the Prime Minister, to Nigel Lawson, Leon Brittan, Norman Fowler, Norman Tebbit, Tom King, Grey Gowrie and Sir Robert Armstrong.

Yours ever
Ian

IAN GOW

Sir Robin Ibbs

Cont Mach : Rayner H16

cc NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 3781
GTN 215)
(Switchboard) 215 7877

From the Parliamentary Under Secretary of State for Industry

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
LONDON SW1A 2AS

21 August 1984

Dear Sir Robin

SCRUTINY OF ADMINISTRATIVE AND LEGISLATIVE BURDENS

Thank you for your letter of 6 August in which you set out proposals for how the scrutiny of administrative and legislative burdens is to take place. I shall be very glad to proceed on the basis you suggest. With your experience and guidance I hope we will now be able to make real progress in this area. The Secretary of State has been consulted and also supports your proposals.

I have two comments to make on the tasks of the scrutiny.

First, I would suggest that the team will not want to devote too much time to examining burdens in other countries on which we already have some information. A knowledge of our competitors' practices would of course be useful, but it would require more time and effort than is likely to be available. Within a limited timescale we should not divert too many resources from the main objective of the scrutiny in identifying the scope for reducing UK burdens.

Second, as a result of the review of burdens on small firms already carried out at my request in Small Firms Division, I can suggest particular areas of burden which the team may want to investigate further - both those procedures which appear to be the most onerous, and those which seem the most susceptible to change. I fully appreciate that the scrutiny team will not want to prejudge the issues. In offering some sugestions to the team at the outset I am only seeking to allow them to concentrate more speedily on the central issues. My officials will of course offer the scrutiny team whatever information they may require.

I have asked Sir Brian Hayes to nominate an Assistant Secretary of the right calibre to lead the scrutiny.

I am sending copies of this letter to the recipients of your's.

Yours ever

David

DAVID TRIPPIER

Govt Mach: Rayner Pt 16.