



Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES 1983:
THE SCRUTINY PROGRAMME

In his letter of 26 January, Robin Butler asked all departmental Ministers to send you their proposals for the 1983 Scrutiny Programme.

2. For Customs and Excise, I am proposing scrutiny of the VAT Central Unit at Southend. I believe that a scrutiny should lead to a more effective use of staff and computer resources, speedier handling of cases and an improved level of service to the VAT registered trading community.

3. In the Department of National Savings, I am proposing a scrutiny of the current withdrawal arrangements for National Savings Certificates. Here we hope to discover whether we can devise a better procedure for both customers and the department itself which will facilitate reinvestment.

4. Finally, in the Inland Revenue I am proposing a joint scrutiny with DHSS to look at governmental control and supervision of Occupational Pension Schemes. The Secretary of State for Social Services has already described our ideas on this in his own minute.

/5. More details



5. More details on each of these proposals is
... attached.

6. You will see that I am not proposing a separate departmental scrutiny for the domestic Treasury this year. Most areas of the department's work have been reviewed over the last four years and this year the role of the CCTA will be formally reviewed by its new director. That review will begin in the Spring.

7. I do, however, see a role for the Treasury in the proposed multi-departmental scrutinies. The procurement part of CCTA will be involved in the scrutiny of procurement. In addition, I should welcome the opportunity for the Treasury to take part in the proposed scrutiny of management audit systems: this would be a useful adjunct to the work underway on financial management. The Treasury may be a small department in this context but it does have difficult problems as a result of its preponderance of small policy divisions. Nevertheless, we share some features with other departments and may have some useful lessons to learn from them.

8. I am copying this minute to the Secretary of State for Social Services, the Lord Privy Seal, Sir Robert Armstrong and Mr Cassels..

G.H.
18 February 1983

1. SUBJECT : THE VAT CENTRAL UNIT

Background

The control and collection of VAT is based on a central computer system at Southend-on-Sea which services the VAT Central Unit (VCU). About 6 million blank VAT returns per year are issued automatically via the computer to registered traders; reminders are issued to traders who fail to render their returns on time.

Traders send the completed returns and payments of tax where due back to the VCU where details of the returns are recorded on the accounting file held on the computer; payments are banked via the Bank of England and any due repayments of tax made. If traders fail to respond to reminders, tax is assessed and payment is enforced by the network of local VAT offices. These also carry out routine control visits to registered traders, and carry out any other work (normally requiring the visiting of traders) that is better done locally.

At the VCU, fairly straightforward procedures exist to handle those returns which are correct and timely and are accompanied by the correct payments. But where there are errors in returns or queries, and cases cannot be dealt with on the computer, procedures are staff-intensive and can lead to backlogs and delays resulting in unsatisfactory levels of service.

1982 Scrutiny Programme

When the 1982 scrutiny programme was under consideration, it was agreed that the VAT Central Unit at Southend should be the subject of a scrutiny. But, in view of a major staff inspection then imminent in the VCU, and other work there, it was agreed that the scrutiny should start at the beginning of 1983.

2. COST

The prompt and accurate processing of VAT returns and payments and the making of repayments have a bearing in one way or another on the work of close on 5,000 operational staff outside the VCU, both at the centre and in local offices. Within the VCU, at least 150 staff are engaged full time in the area to be reviewed, at an annual cost of about £1,500,000 (including accommodation and common services).

3. REASONS FOR SELECTING THE SUBJECT

It is estimated that about 10% of VAT returns received contain errors. Because of the need for manual intervention in an otherwise automated system, they can disrupt the time-critical flow of work within the Central Unit and occupy a disproportionate amount of the total VCU staff resources. The consequences of any delays and inefficiency in this area are serious for the registered VAT traders concerned and for the proper administration of VAT by local staff. The benefits sought from the scrutiny would therefore be a more effective use of staff and computer resources, speedier handling of cases to reduce delays and backlogs and an improved level of service to the VAT registered trading community.

4. TERMS OF REFERENCE

"To review the reasons for VAT returns being found to require manual intervention following computer processing, and to examine the methods used;

To review the ways in which adjustments are made to the accounting main file;

And, with a view to increasing efficiency and in particular in speeding the handling of cases to reduce delays, backlogs and complaints from traders, to make recommendations."

5. PROPOSED STARTING AND FINISHING DATES

Start: Early March 1983
Finish: Early August 1983

6. NAME OF EXAMINING OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

The scrutiny will be led by Mr B R Smith, a Senior Principal in Management Services Division, Customs and Excise, who will report to the Economic Secretary to the Treasury.

NATIONAL SAVINGS CERTIFICATES: WITHDRAWAL/REPAYMENT

1. SUBJECT

The question whether any improvement can be made in the current withdrawal arrangements for National Savings Certificates so as to make it easier for people taking money out of one issue to re-invest it in another.

2. COST AND REASONS

Few staff are employed on this at present because the usual procedure requires investors to go through the withdrawal procedure to the point where they receive a warrant, and then requires them to use the warrant at a Post Office or bank to buy the new certificates. But where an issue is taken off sale, particularly when this is done with no notice, some investment cases will be caught in the post and other applications will still be at the Certificate Office. In such cases the current practice is to offer a special reinvestment facility from the DNS office at Durham. The staff effort required to do this is considered disproportionate, and the aim of the proposal is to ascertain whether a better arrangement, both for Durham and for customers, could be worked out. If so, it could have a life of about 2-3 years, until the current computerisation of National Savings Certificate sales is completed. A genuine reinvestment facility without a visit to the Post Office or bank will then be practicable.

3. TERMS OF REFERENCE

To investigate whether any improvement can be made in the current withdrawal arrangements for National Savings Certificates so as to facilitate reinvestment.

4. PROPOSED STARTING AND FINISHING DATES

Start 28 March

Finish 31 July

5. (i) Name of examining officer. To be selected.

(ii) Ministerial reporting arrangements. To the
Economic Secretary.

SUBJECT

A joint scrutiny, with Inland Revenue, of the work of DHSS' Occupational Pensions Board and Inland Revenue's Superannuation Funds Office.

COST AND STAFF

£6 million; 100 staff in DHSS and 300 in Inland Revenue.

REASONS

There has been criticism from pension funds interests that the systems of control exercised over occupational pension schemes under social security and tax legislation, and the manner of their operation by the OPB and the SFO, have not been properly co-ordinated and impose unduly onerous requirements on the pensions industry. The scrutiny will examine the relevant rules and administration in the light of these criticisms.

TERMS OF REFERENCE

1. To review all forms of Government control and supervision of occupational pension schemes and of their management which are within the responsibilities of DHSS and Inland Revenue, whether by statutory provisions or administrative requirements.
2. To consider the extent to which the various controls and requirements are in the public interest, and whether the way in which they are administered is efficient and effective bearing in mind the costs and manpower implications for Government, schemes and employers.

3. To make recommendations on the above to the DHSS and the Board of Inland Revenue.

TIMING

Probably February to June 1983.

EXAMINING OFFICER

The DHSS scrutineer is to be Miss M Grainger, just retired as Assistant Secretary who was previously Secretary to the Occupational Pensions Board. The Inland Revenue scrutineer will be Mr A Cummins, Senior Inspector.

MINISTERIAL REPORTING ARRANGEMENTS

This scrutiny will be supervised by the Joint Parliamentary Under Secretary of State, Lord Trefgarne and the Financial Secretary to the Treasury the Rt Honourable Nicholas Ridley.



10 DOWNING STREET

From the Principal Private Secretary

26 January 1983

D/F

Dear Private Secretary

Centrally Co-ordinated Efficiency Exercises 1983:
The Scrutiny Programme

The programme of Centrally Co-ordinated Efficiency Exercises proposed in the Lord Privy Seal's minute of 26 November has been agreed by Ministers. It envisages up to 30 further departmental scrutinies and 3 multi-department reviews.

I am writing to invite proposals for the scrutiny programme. Ministers are asked to send these to the Prime Minister by 11 February and to copy them to the Lord Privy Seal and Mr. Cassels.

The target size of the scrutiny programme has again been kept small, having regard to other work in hand or in prospect. So topics should be substantial and significant in terms of the activities or policies of the department. Wherever possible they should also promote the Government's longer-term aims for improving Civil Service management. The Prime Minister will have these factors in mind when considering their suitability for inclusion in the programme.

Specific areas likely to provide strong candidates for scrutinies are:

- (1) Whether the policy processes in use provide Ministers with the right material at the right time on which to take decisions and with adequate information and methods by which to assess the cost-effectiveness of the action taken.
- (2) Large executive questions which are relatively self-contained.
- (3) Areas of work involving specialist groups (e.g. lawyers and accountants).

(4) The arrangement by which advice, information and help are provided to the public and outside bodies (e.g. the preparation and publication of advice - leaflets, articles, films, advice and information provided by visits).

(5) Administrative tribunals (e.g. appeals boards).

(6) The efficiency and value for money of selected Non-Departmental Public Bodies.

Ministers are invited to put forward at least one scrutiny. Those in charge of larger departments are invited to propose more than one. Each proposal should, as in previous years, contain brief information on:

(1) Subject: the policy, function or activity to be examined.

(2) Cost of the policy, function or activity, and the number of staff involved.

(3) Reasons for selecting the subject.

(4) Terms of Reference.

(5) Proposed starting and finishing dates.

(6) Names of examining officers, if known, and Ministerial reporting arrangements. (In selecting staff to conduct scrutinies Ministers are asked to bear in mind the importance of putting examining officers in charge who have the questioning mind and good judgement fundamental to the scrutiny technique).

Work on scrutinies should not start before proposals have been agreed by the Prime Minister. The programme should begin as early as possible in the year but there is no need for all scrutinies to start on a common date. Notes of Guidance for examining officers will be re-issued shortly and briefing for examining officers will be arranged subsequently.

I am copying this letter to the Private Secretaries of all Ministers in charge of Departments and to Sir Robert Armstrong, Sir Douglas Wass, John Sparrow and John Cassels. Ian Beesley (273 5226) in the Rayner Unit can provide further advice if it is required.

Yours sincerely,

Robin Butler

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