



MUS
1. *MCS* might like to see
2. *PA* pending *P.R.'s*
Submission

MAD
1/2

Treasury Chambers, Parliament Street, SW1P 3AG
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PRIME MINISTER

THE EFFICIENCY STRATEGY 1982 - THE SCRUTINY PROGRAMME

You have asked for proposals for this year's Departmental scrutiny programme.

2. This year I propose that my Departments should undertake 6, or perhaps 7, individual scrutinies; 3 by Inland Revenue, 1 or perhaps 2 by Customs and Excise, 1 by the Department for National Savings and 1 by the Treasury. In addition they will be contributing substantially to 2 of the centrally-led reviews which will form an important part of the 1982 programme. Both Inland Revenue and Customs and Excise will participate in the personnel review and CCTA in the running costs exercise. The Royal Mint will also be making a contribution to the resource control review.

3. I had considered whether this might be too full a programme and I know that, in any event, my Departments would want to pursue all of their proposed topics even if they were not to form part of the formal efficiency programme. My judgement was that all should be offered as suitable candidates: no doubt Derek Rayner will be able to say how this fits in with the overall balance of this year's programme.

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4. I attach details of six proposals. For Inland Revenue the first, and most important scrutiny, will seek to determine whether one of the most clerically-intensive procedures in local Tax Offices - the end of year review of PAYE tax records - can be



abolished. The second scrutiny will review the need for, and the methods and costs of, visits made by Inland Revenue staff to members of the public. Finally, I propose a review of the many memorandums and instructions issued by Inland Revenue Head Office to their local Tax and Collection Offices each year notifying new procedures and revising existing ones.

5. For Customs and Excise, I am proposing this year a scrutiny of errors in Customs duties. This is a major and far reaching topic with implications for importers as well as Departmental administration, and it was identified as a serious problem by the 1981 scrutiny of Customs attendance. I am in no doubt that it is also necessary to conduct a major scrutiny of the VAT Headquarters at Southend. I am considering at present whether this should take place this year or next year: I shall let you know what I decide.

6. For the Department for National Savings I propose a review of the services provided for them by the Post Office. Their current bill is around £61 million, and the cost of the staff required in the DNS to correct the non-accounting errors made at the Post Office counter is estimated to be between £1.5 million and £2 million.

7. For the Treasury I am proposing a scrutiny of the Civil Service Catering Organisation (CISCO), which employs some 1,500 people and thus accounts for nearly 40 per cent of the total manpower of the enlarged Treasury. It was set up 9 years ago and currently runs with an annual subsidy of about £30 million. I believe it is time to take a searching look at its operations. As the attached description indicates, the scrutiny will not only look at the effectiveness and efficiency of the existing organisation, it will also specifically examine the possibility of "privatisation". For this reason we felt that it would be especially helpful to have an expert from the private sector and Derek Rayner has kindly arranged for Marks and Spencer to provide



one of the two examining officers for this scrutiny.

8. I am not proposing a new scrutiny in the central policy areas of the Treasury for 1982 since Mr. Barratt will be continuing his review of how staff in Treasury expenditure divisions can be best equipped to play their proper part in connection with financial management in Departments. Although this scrutiny does not conform in all respects to the normal scrutiny pattern, it is a project to which I attach considerable importance. So too does Derek Rayner. It involves a far reaching examination of personnel policies as they apply in expenditure divisions, with special reference to training. Mr. Barratt has already submitted an interim report and hopes to make firm recommendations quite soon.

9. I am copying this letter to Cabinet colleagues and to Sir Derek Rayner and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.' with a flourish.

G.H.

29 January 1982

INLAND REVENUE SCRUTINY FOR 1982

1. SUBJECT: PAYE END OF YEAR PROCEDURES - "ANZ REVIEW"

At the end of each tax year our control records (concards) for PAYE taxpayers are reviewed together with the Deduction Card, to see if an Income Tax assessment appears to be necessary; each card is marked

"A" where an assessment seems necessary;

"N" where the individual has no liability; or

"Z" where no further action is necessary.

It is proposed that the Department considers the need for this procedure.

2. THE COST

The current cost of the review and the associated assessing work is approximately 4,400 units. There is scope for saving approximately 1,000 units by eliminating the review together with an additional number which will depend upon the number of cases which are no longer marked "A".

3. REASONS FOR SELECTING THE SUBJECT

This procedure begins when the annual pay and tax details, supplied by employers on individual deduction cards, are examined against the information on the taxpayer's control records - the PAYE concard. We currently hold 26.6 million such concards. The review which is one of the most clerically-intensive operations in the Department, is normally carried out by Clerical Assistants who are required to work to well-defined procedures. Concards marked "A" (ie where an assessment seems necessary) are subsequently re-examined by a Tax Officer. Where the examination establishes that tax has been underpaid or overpaid during the course of the tax year then, subject to the assessing tolerances the taxpayer is advised accordingly. This advice may be by way of informal notification or by way of formal assessment.

We believe that it may be possible to identify most cases where an underpayment of tax is involved (ie where we are owed tax) without the ANZ review. If the onus were placed on individuals who feel they may have overpaid tax to approach the Department, there are strong grounds for thinking that the review and some of the Tax Officer's re-examination could be dispensed with. Inevitably however, abolishing the "A" marking and the Tax Officer's re-examination would mean that a number of underpayments and overpayments would not be identified.

4. TERMS OF REFERENCE

To review the possibility, and the consequences of abolishing the PAYE ANZ review.

5. PROPOSED STARTING AND FINISHING DATES

Mid April 1982 (to coincide with the beginning of next year's review) to [mid September 1982].

6. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

The scrutiny officer will be a fully-trained Inspector (individual to be decided) to report to the FST.

INLAND REVENUE SCRUTINY FOR 1982

1. SUBJECT: REVIEW OF VISITS MADE TO THE PUBLIC BY
INLAND REVENUE STAFF

The main bulk of visiting is undertaken by staff in local Collection Offices, PAYE Audit Units and local Valuation Offices. In the Collection sphere, visits are primarily confined to recovery of tax and PAYE/NIC returns; in PAYE Audit Units to checking employers' records to ensure compliance with Income Tax (PAYE/Subcontractors) and National Insurance (Class I) regulations; and in the Valuation Office to surveying and valuing properties.

2. COST

We estimate that outdoor work accounts in broad terms for some 550 man years of effort in Collection; 150 man years in PAYE Audit Units; and 1,100 man years in Valuation Office. The travelling costs include approximately £1 million per annum for car hire.

3. REASONS FOR SELECTING THE SCRUTINY

The ever-increasing costs of financing outdoor work, in particular the cost of car hire lay behind our original selection of this subject. We see scope, however, for reviewing the need for visits themselves and the scrutiny officer would be expected to examine the scope for employing alternative methods wherever possible.

4. TERMS OF REFERENCE

To review the need and methods used for making visits to members of the public by Inland Revenue staff.

5. PROPOSED STARTING AND FINISHING DATES

March 1982 to June 1982.

6. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

Choice of scrutiny officer to be decided; to report to the FST.

INLAND REVENUE SCRUTINY FOR 1982

1. SUBJECT: DISTRICT MEMOS AND INSTRUCTIONS TO TAX AND COLLECTION OFFICES

The large number of changes in procedures etc throughout the year are notified to Tax Districts and Collection Offices, in the first instance, by circulars (District and Collection Memos). The relevant Instruction Manuals are subsequently amended quarterly to incorporate the changes.

2. COST

Approximately 45 units of staff at Head Office are involved in the production of circulars and instructions. The direct publishing cost is approximately £300,000 per annum, but the principal cost is the time spent in local offices reading the instructions issued.

3. REASONS FOR SELECTING THE SCRUTINY

Our Instruction Manuals contain some $3\frac{1}{2}$ million words, and each year around 4,000 pages are revised. In addition approximately 500 circulars on different topics are issued, with each topic requiring on average about 3 pages of instructions. The Department is aware that the mass of paper issued each year is not absorbed by local staff as well as it might be. A study in this area may not produce direct economies in terms of staff or materials but if it led to better assimilation of the material by local office staff, their work would be performed more accurately and efficiently.

4. TERMS OF REFERENCE

To review the effectiveness of the present arrangements for issuing instructions and guidance to District and Collection Offices.

5. PROPOSED STARTING AND FINISHING DATES

The beginning of September 1982 to end of November 1982.

6. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

The scrutiny will be led by a fully-trained Inspector (individual not yet decided) who will report to the FST.

DNS RAYNER SCRUTINY FOR 1982

IMPROVING THE QUALITY OF THE POST OFFICE SERVICE PAID FOR BY
DEPARTMENT FOR NATIONAL SAVINGS

(a) Subject

The Rayner Scrutiny of Post Office (accounting) Errors recommended that an investigation into the causes, and methods of correcting, and the cost of, other types of Post Office errors in DNS should be undertaken. The draft report of the Scrutiny, Terms and Conditions of DNS Securities, supported this.

Approximately 88% of all National Savings business (in terms of numbers of transactions) is carried out at Post Office counters. After completion Post Offices are required to forward the various documents relating to the transactions to the respective Divisional Offices of the Department for National Savings in order that the centrally maintained records can be updated.

Errors or omissions on these documents; the use of incorrect forms; failure to despatch the documents promptly; or failure to observe various rules or procedures - all result in difficulties and delays in DNS; additional work; and often the need to communicate with the saver in order to ensure that the transaction is correctly recorded.

As the main points of sales for all National Savings, Post Offices are also the places where the public are most likely to seek information on National Savings and there is evidence that this service could also be improved.

(b) Costs

The cost of the staff required in DNS to correct the non-accounting errors made at the Post Office counter is estimated to be between £1.5 and £2.0m.

(c) Reasons for selecting the subject

There are two reasons for selecting the subject:

1. The DNS is paying the Post Office about £61m this year, and at present has insufficient influence on the quality of the service provided, despite the large staffing cost of putting the errors right.
2. The effect of such errors on the saver. These can cause delays in repaying investments and if it is necessary to communicate with the saver in order to correctly identify his intention of the holding/account to be credited, this does not create a good image of the efficiency of the Department, particularly in the case of new savers.

(d) Terms of reference

1. To identify and quantify the various non-accounting errors/omissions made at post offices which prevent the saver getting an efficient service and/or throw rectification work onto DNS.
2. To consider measures which could eliminate or reduce the number of such errors with particular reference to the design of the forms/documents used, the information asked for and the instructions used by the Post Office counter clerks.
3. For those errors etc which may remain, to consider (a) methods of monitoring them and (b) alternative and less costly methods of correcting them.
4. To consider ways in which the provision to counter staff and members of the public of accurate and up-to-date information on National Savings at post offices could be improved.

5. To make recommendations accordingly.

(e) Proposed starting and finishing dates

Start: 1 March 1982

Finish: 1 July 1982

(f) Names of examining officers, if known, and reporting arrangements.

Examining officers - not yet decided.

Reporting to the Minister of State (Lords) in consultation with Sir Derek Rayner and the Director of Savings.

NOTE:

6. This is a scrutiny which could ideally be done jointly with the Post Office. In that case the starting and finishing dates would need further consideration: and the reporting arrangements would need to include the Chairman of the Post Office Corporation.

HM TREASURY: PROPOSAL FOR 1982 SCRUTINY PROGRAMME

SUBJECT: THE CIVIL SERVICE CATERING ORGANISATION (CISCO)

Cost

An annual subsidy from public funds in the region of £30 million a year.

Reasons for selecting the project

CISCO is a large executive organisation employing 1500 people and accounting for nearly ~~50%~~^{40%} of Treasury manpower. Its operations have an important impact on the day to day life and morale of Civil Servants. Since it was set up some 9 years ago there has been no fundamental examination of its operations and the scrutiny offers the opportunity to ensure that the organisation is as efficient and effective as possible, particularly as compared with similar organisations in the private sector. The scrutiny provides an ideal opportunity to examine the possibility of privatisation.

Terms of Reference

- a. To examine the current arrangements, including cost, for providing catering for Civil Servants;
- b. To consider whether these arrangements are economical and effective and provide value for money compared with private sector practice;
- c. To recommend any changes which seem desirable.

Proposed Dates

1 May 1982 to 1 September 1982 (both dates are provisional)

MANAGEMENT IN CONFIDENCE

Examining Officers

A Treasury Principal

Mrs Susan Barnes of Marks and Spencer

Ministerial reporting arrangements

The examining officers will report to Mr Barney Hayhoe, Minister of State (Commons).

1. Subject: Processing of Customs Import Entries

The control of imported goods for customs purposes is based on a written declaration by the importer or his agent about each consignment. This declaration - the customs entry - forms the basis for the assessment and collection of import duties and levies (over £1,000 million in 1980/81), for the enforcement of regulations on prohibitions, restrictions, quotas, etc, and for the collection of trade statistics. The customs entries are subjected to checks both manually and by computer to detect errors and make corrections. The proposed review would examine the processing of entries for the detection of errors and would report on the causes of errors found and the arrangements and reasons for detecting and correcting them.

2. Costs

The processing of import documentation and the related physical examination of import consignments involves the equivalent of approximately 2,500 operational staff at a full annual cost (at 1981 rates and including overtime) of about £24.5 million.

It is difficult to be precise about the numbers of staff dealing with errors on entries as this is only one aspect of the jobs being performed. The Department's Management Information System is not currently structured in such a way as to allow accurate statistics to be produced for this work. A survey of Customs work in the Spring of 1982 should produce more reliable estimates. However, there are about 450 staff engaged mainly on the physical examination of cargo and we estimate that 60% of the remainder have jobs which are wholly or mainly concerned with the accuracy of import entries. Thus in round terms errors on entries involve about 1,250 staff at an annual cost of £13.5 million.

There are also a number of Headquarters Divisions which have an interest in the results of errors detected on entries. In general

the staff concerned are not wholly engaged with errors on customs entries and it is not possible to quantify the resource deployed on this aspect of their work.

3. Reasons for selecting the subject

Customs controls on imported freight are resource intensive (see 2. above). The customs requirements for entry documentation are at the heart of the present system of control and, although we have a computerised procedure at the major ports/airports for receiving information and facilitating clearance, the arrangements for detecting errors - and more especially the staff effort that goes into correcting them (whether for revenue or other purposes) - are ripe for scrutiny. Indeed a scrutiny in this area would be a natural follow-up to Mr St Quinton's review of customs attendance in which the comparative costs of different methods of entry processing were aired without explicit reference to the cost of identifying and correcting errors. It would also tie in with the work done on the main entry forms by Mr Edwards as part of the inter-departmental review of forms.

The benefits of such a scrutiny could be for the Department a more effective use of staff and computer resources and perhaps some savings at particular entry processing units and for the import trade an improvement in the speed of clearance of goods. Both the Department and the trade would benefit from a reduction in the cost of identifying and correcting errors, in terms of staff resources and delay.

4. Terms of reference

"To examine the processing of Customs entries for the detection of errors; to consider the main types and causes of errors found, the Department's procedures for detecting and dealing with such errors and the need for these procedures; to identify the scope for change and to make recommendations."

5. Proposed starting and finishing dates

Our new computerised entry processing system (DEPS) is due to

replace the existing computerised system at the major ports in April 1982. It would be appropriate to allow the new system to settle down before mounting a scrutiny bearing heavily on the entry processing units at these ports. We therefore propose an autumn start, with dates as follows:

Start Beginning of August 1982.

Finish End of November 1982

6. Name of examining officer

(To be advised.) The examining officer will report to Mr Jock Bruce-Gardyne, MP, Economic Secretary to the Treasury.