



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Jeremy Hunt MP
House of Commons
London
SW1A 0AA

A handwritten signature in black ink, appearing to read 'Jer Jeremy'.

23 January 2013

Thank you for your email of 26 November enclosing correspondence from your constituent, Mr Peter Webb of Romilly Cottage, 139 Binscombe, Godalming, Surrey, about reform in government.

When the Coalition Government came to power in 2010, it had the immediate and pressing task to deal with the deficit and get public finances under control. To support this, the Government introduced a new way of running the operations of central government. Rather than tinker with budgets or trim expenditure here and there - for the first time, like any large business, an effective operations centre at the heart of government - the Efficiency and Reform Group (ERG) - was set up within the Cabinet Office. The purpose was that ERG, alongside HM Treasury (HMT), would properly scrutinise the expenditure of taxpayers' money taking a Government wide view.

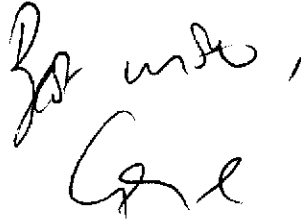
As part of this work, ERG and HMT introduced tough central expenditure controls on consulting, ICT, recruitment, marketing and property, which helped deliver £3.75bn in cash savings in the first ten months; and last year, ERG supported the delivery of £5.5bn of savings. Alongside its work on efficiency, ERG is also supporting wider transformation of public services and using its policies to promoting growth across the UK.

In the coming years ERG will help shape our new efficient ICT strategy; support our ambition to see public services provided digitally by default, help deliver new commercial models such as mutuals and joint ventures as we improve public services, and will continue to help centralise government commodity procurement so we can maximise our bulk-buying potential, and support growth and small and medium enterprises (SMEs).

Mr Webb also queried the current pace of tax simplification. The Government's aim is for a tax system that is simple to understand and easy to comply with. The Government established the Office of Tax Simplification (OTS) on 20 July 2010 to provide independent advice on simplifying the UK tax system and has acted on a range of its recommendations. These include abolition of 43 tax reliefs and steps to make clear improvements to the administration of IR35 (intermediaries legislation). Following recommendations of the OTS small business tax review, at Autumn Statement 2012, the Government confirmed introduction of a new cash basis for calculating tax from April

2013, for which up to three million small self-employed businesses will be eligible. The
OTS will carry out a review of ways to simplify the taxation of employee benefits and
expenses and employee termination payments.

Please pass on my thanks to Mr Webb for taking the trouble to make us aware of these
concerns.

A handwritten signature in black ink, appearing to read "George Osborne", written in a cursive style.

GEORGE OSBORNE