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PRIME MINISTER

3 September 1987

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ADAM SMITH INSTITUTE VIEWS ON COMMUNITY CHARGE

The note sent to you by the Adam Smith Institute suggests that the collection of the Community Charge might be privatised. While this might seem superficially attractive, we would recommend against pursuing it further.

The politics of the Community Charge are difficult enough already without adding to them this at this stage; and tax collection is not a function that seems to us to be well suited to privatisation.

Current proposals

The current legislation will impose three distinct requirements:

- heads of households will be required annually to complete a return to the Community Charge registration officer giving the names of all adults living in their households;
- individuals will also be under an obligation to ensure that they are on the Community Charge register and to register with a new local authority if they move during the course of the year;
- individuals will also be required to pay the Community Charge to the local authority for the period during which they are resident in an area.

Opportunities for privatising the Register

The main costs of administering the Community Charge are in compiling and keeping up to date the register of those liable to pay. The creation of these registers is likely to prove a sensitive issue since it will be the first time, since identity cards were abolished after the War, that all adults have been required to notify the authorities of their address and changes of address.

The Adam Smith Institute appear to envisage that private agencies could undertake this task by using information already available to credit reference agencies and from mailing lists. We doubt the accuracy of some of this information from personal experience since it is a common occurrence to receive circulars with an out of date address.

In order to obtain the degree of accuracy required it will therefore be necessary to give the private companies involved sufficient power to check their information. Individuals will also have to be required to notify these private companies when they move. Such an approach is likely to provoke public hostility.

Privatising collection of the Community Charge

The issues raised in allowing private companies to collect the Community Charge are slightly different.

It is not desirable to distance the local authorities from responsibility for collection of the Community Charge when the whole aim of the policy is to reinforce the link in voters minds between the actions of local authorities and their costs.

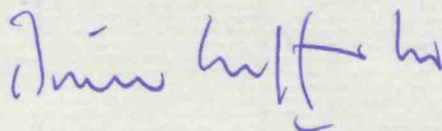
On the other hand there may be no objection to the local authorities using private firms as their agents in collecting the Charge. Some local authorities already use debt collecting firms to collect unpaid rates bills.

Conclusion

Given these considerations, we believe that compiling and keeping up to date the Community Charge register is best kept as a public sector function and should not be privatised.

It is also undesirable for Central Government to hand over collection of the Community Charge to private companies; local authorities may choose to use such companies as their agents in the collection of the charge if they wish. Similarly local authorities might wish to use private companies to collect unpaid Community Charge bills.

But formal responsibility for collection of the charge should rest with the local authority.



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