

**CONFIDENTIAL**

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(LF) (86) 2nd Meeting

COPY NO

47

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON LOCAL GOVERNMENT FINANCE

MINUTES of a Meeting held in the Large  
Ministerial Conference Room, House of Commons on  
THURSDAY 3 JULY 1986 at 5.15 pm

PRESENT

The Rt Hon Viscount Whitelaw  
Lord President of the Council  
(In the Chair)

The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales

The Rt Hon Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP  
Chancellor of the Duchy of  
Lancaster

The Rt Hon Lord Young of Graffham  
Secretary of State for Employment

The Rt Hon John MacGregor MP  
Chief Secretary, Treasury

The Rt Hon Malcolm Rifkind QC MP  
Secretary of State for Scotland

The Rt Hon John Moore MP  
Secretary of State for Transport

The Hon William Waldegrave MP  
Minister of State, Department of  
the Environment (Minister for the  
Environment, Countryside and  
Local Government)

**CONFIDENTIAL**

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP  
Parliamentary Secretary, Treasury

Mr Antony Newton MP  
Minister of State, Department of Health  
and Social Security (Minister for  
Social Security)

Mr David Mellor MP  
Parliamentary Under-Secretary of State  
Home Office

Mr George Walden MP  
Parliamentary Under-Secretary of State  
Department of Education and Science

Mr Michael Ancram MP  
Parliamentary Under-Secretary of State  
Scottish Office

SECRETARIAT

Mr J B Unwin  
Mr A J Langdon  
Mr J E Roberts

CONTENTS

Item No	Subject	Page
1	THE FRAMEWORK OF DUTIES AND OFFENCES ASSOCIATED WITH THE COMMUNITY CHARGE	1
2	SOCIAL SECURITY AND THE COMMUNITY CHARGE	4

**CONFIDENTIAL**

CONFIDENTIAL

THE FRAMEWORK OF DUTIES AND OFFENCES ASSOCIATED WITH THE COMMUNITY CHARGE

The Sub-Committee considered a Memorandum by the Secretary of State for Scotland about where the responsibility for registration for the Community Charge should lie and what sanctions should support the new charging scheme. They also had before them letters of 1 July from the Lord Chancellor and 30 June from the Home Secretary to the Lord President of the Council.

THE SECRETARY OF STATE FOR SCOTLAND said that at their previous meeting the Sub-Committee had asked him to consider further the respective responsibilities of heads of households and of individuals to register their liability for the Community Charge and notify changes, and what sanctions should be applied for failure to fulfil these duties. He was now proposing that the heads of household should have two basic responsibilities: to respond to an annual canvass by listing all adults resident with him or her and to any ad hoc enquiries, and to provide complete and accurate information. There would now be no obligation to notify changes mid-year. The sanctions applied against heads of household for failure to discharge these responsibilities could be either criminal or civil. In his view the balance lay with criminal sanctions. Civil sanctions would be difficult to introduce without allowing for some system of appeals. It was true that the trend in the tax collections system was towards civil penalties, but in the present case the offence would not be evading a personal obligation to pay a tax, but a failure to declare a name of someone else. Criminal sanctions were available against those who failed to complete the electoral registration form. If criminal sanctions were used, however, it would be appropriate to allow a fixed penalty system, which would not give rise to a criminal conviction, to deal with the more minor cases.

As regards the duties of individuals, he was now proposing that there should be an explicit requirement on them to register and to notify any changes, but he was not proposing to create any specific offence, since this would be administratively complex and impose a severe workload on the courts. Individuals would, however, be subject to penalties for avoiding payment of the community charge, and hence in practice a failure to register would expose individuals to sanctions.

**CONFIDENTIAL**

In discussion the following points were made -

- a. Although criminal sanctions applied to failure to complete the electoral registration form, there was little incentive for evasion in that case and local authorities rarely prosecuted. The incentives to avoid the community charge would be quite different.
- b. Given the implications for the workload in the courts, and the possible expense of legal aid, criminal sanctions should only be introduced if it was clear that civil sanctions would be insufficient.
- c. If responsibility for enforcement rested with local authorities, an uneven pattern might emerge. While responsible citizens would declare themselves, some extreme councils might turn a blind eye to evasion of the community charge by some sections of the community. However, since Government grants, including the redistributed non-domestic rate, would be allocated per head, local authorities would stand to lose significant income if they connived at evasion in that way.
- d. Enforcement might be made easier if registration had to be demonstrated before people could have access to local authority facilities or benefits.
- e. It might be appropriate to place a specific responsibility on the collecting authorities to ensure that responsibility to register for the community charge was enforced. Rather than placing this duty on authorities generally, the registration officer might be placed under a personal statutory obligation: this would strengthen his hand against elected members.

THE LORD PRESIDENT OF THE COUNCIL, summing up the discussion, said that the Sub-Committee agreed with the proposed division of responsibilities between heads of households and individuals as set out in the paper by the Secretary of State for Scotland. They were not, however, persuaded

that it would be right to impose criminal sanctions on heads of household for failure to discharge their duties, since this would appear severe for what might only be an oversight (particularly as there would be no similar sanction on individuals). It would also impose a large workload on the courts. The Scottish legislation should therefore be prepared on the basis that there would be civil sanctions only. In order to ensure effective enforcement the Secretary of State should give careful thought to the possibility of placing a specific statutory obligation on the registration officer. The possibility of limiting access to local authority facilities to those who could demonstrate that they had registered should also be considered further, and agreed in correspondence if possible.

The Sub-Committee -

- 1. Took note, with approval of the Lord President's summing up of their discussion.
- 2. Agreed with the proposed pattern of responsibilities and duties set out in E(LF) (86) 4.
- 3. Agreed that the sanction to be applied against the head of household should be civil rather than criminal.
- 4. Invited the Secretary of State for Scotland to give careful thought to the possibility of placing a specific statutory obligation on the registration officer to ensure effective enforcement.
- 5. Invited the Secretary of State for Scotland to consider the scope for limiting access to local authority services to those registered for the community charge, and to circulate proposals.

CONFIDENTIAL

## 2. SOCIAL SECURITY AND THE COMMUNITY CHARGE

The Sub-Committee considered a Memorandum by the Secretary of State for Social Services about the interaction of the social security system and the community charge (E(LF) (86) 3).

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that at present 6.75 million households (about 1/3 of the total) received whole or partial rebates on their rate bills. Three million households paid no rates at all. The Government's proposals in the Social Security Review would require all rate payers to meet at least 20 per cent of their bill, and this would save £350 million and reduce the case load to 5.5 million.

If the rebate system were extended to cover the new community charge, the caseload would go up to 7.1 million individuals, and the cost would increase by £150 million, reversing many of the savings achieved in the review. But, more fundamentally, it would enshrine the principle that benefit should be payable to rebate the local domestic tax. Once this had been conceded, it would never be possible to reverse. Moreover, there would be considerable administrative complexity as local authorities implemented the social security review and planned for implementation and rebating of the community charge, while at the same time maintaining the existing rebate system for domestic rates. The pattern would be different in Scotland and in England and Wales, adding further to the confusion.

There was therefore a strong case for not rebating the community charge. Assistance could be provided for the poorest by increasing the income support levels to reflect the national average community charge, and rebates for rates could continue as long as necessary.

THE SECRETARY OF STATE FOR SCOTLAND said that he saw major difficulties in implementing this proposal. The introduction of the community charge represented the most important reform of local government finance for very

many years, and the Government had been generally successful in securing support for the proposal on the basis set out in the Green Paper. But the exemplifications in that document had been on the basis that the community charge would be rebated; to withdraw that safeguard now would invite considerable opposition and endanger the whole reform.

Since under the new system the number paying the local domestic tax would increase from about 15 million to 30 million, it was not unreasonable that an extra 300,000 people should become entitled to rebates. Even after allowing for the extra cost, there would still be a net saving on housing benefit from the introduction of the 20 per cent rule. The proposed alternative of increasing income support levels would not offer any assistance to those just above that level. Low income households in London would face very high local tax bills and would suffer substantial losses. In particular many pensioner couples would be hit. He very strongly favoured the continuation of a rebating system.

In discussion the following points were made -

- a. The severe losses through abandoning rebating would appear only slowly as the community charge was introduced over a lengthy transitional period. But in debating the proposal Parliament would be concerned to know the ultimate effects.
- b. Many of the current problems in local authority finance arose from the fact that many people were protected from the consequences of high spending. Extending rebates to the community charge would only continue this. There was a need for a powerful incentive for electors to weigh the cost of local authority spending.
- c. In London and the South East high local tax bills were as much the result of high ratable values as of high spending. There was therefore no action the electors could take to mitigate the impact

of the community charge upon them. There might therefore be a case for reconsidering the details of the safety net grant arrangements which in effect carried over the existing inequitable basis of rateable values into the new community charge.

d. If there was no rebate system and income support levels were increased, the incentive for the unemployed to accept jobs would be reduced.

THE LORD PRESIDENT OF THE COUNCIL, summing up the discussion, said that the issue before the Sub-Committee was important and difficult. They were not yet ready to reach a decision about whether the community charge should be rebated, and would wish to return to this in September. For that Meeting a paper should be prepared jointly by the Secretary of State for Wales, the Secretary of State for Social Services, the Secretary of State for the Environment, the Secretary of State for Employment, the Secretary of State for Scotland, and the Chief Secretary, Treasury, setting out the pattern of gains and losses for individual households in different parts of the country, assuming illustrative figures for the offsetting increase in income support. In the meantime the Secretary of State for Scotland should include in his preparations for legislation a provision to allow rebates to be paid, in order not to foreclose that option.

The Sub-Committee -

1. Took note, with approval, of the Lord President's summing up of their discussion.
2. Invited the Secretary of State for Wales, the Secretary of State for Social Services, the Secretary of State for the Environment, the Secretary of State for Employment, the Secretary of State for Scotland, and the Chief Secretary, Treasury to prepare a joint paper on the lines indicated.

Cabinet Office

4 July 1986