

CONFIDENTIAL

Prime Minister²

CCPM



A small but useful
step to reduce cost of
income support.

BTP

20/4

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Anthony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1A 2AH

18 April 1990

Good

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LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

I wrote to you on 23 February about the Inland Revenue providing details of private and employers' addresses to DSS to help trace absent parents. Officials of both departments were to compare the information on their respective data bases to see if such a significant change to Revenue practice on confidentiality would be worthwhile.

2. Revenue officials tell me that a sample of some 300 names of absent parents whom DSS could not find showed:

- in about half the cases the Revenue had no information or held the same address as DSS;
- of the other half, they had accurate addresses for about three out of four, but for the remainder their information was less up to date than that held by DSS.

3. Such a result would appear to provide enough accurate traces to make the cost of any false leads in the out of date cases worthwhile.

4. On this basis, we can now go ahead and, if you agree, the decision can be announced shortly after the House resumes. Your review is considering the disclosure of earnings, but for the present, the information to be exchanged will be limited to private and employers' addresses. In the meantime, I believe that Revenue officials are already in touch with yours about the necessary administrative arrangements and to agree a starting date.

5. I am copying this letter to the Prime Minister, Geoffrey Howe, James Mackay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington, Peter Fraser and also Peter Lilley.

NORMAN LAMONT

DRAFT PARLIAMENTARY QUESTION AND ANSWER

- Q. To ask Mr Chancellor of the Exchequer what assistance the Inland Revenue give to the Department of Social Security to help trace absent parents who are not paying maintenance for lone-parent families in receipt of income support?
- A. Section 59 of the Social Security Act 1986 permits the Inland Revenue to provide information to the Department of Social Security and the Department of Health and Social Services for Northern Ireland, in connection with the operation of the benefit Acts, without breaching their confidentiality obligations. At present the information provided is confined to the details required to account for Class 1 National Insurance contributions, which the Inland Revenue collect on behalf of the DSS, and details of those known to be self-employed to assist DSS in collecting Class 2 National Insurance contributions.
- I have ^{now} ~~today~~ asked the Inland Revenue to extend the disclosures made under their authority to include the addresses of absent parents and, where appropriate, the names and addresses of their employers, in cases where the absent parent is liable under the Social Security Act 1986 to maintain lone-parent families receiving income support.

DRAFT PRESS RELEASE

TRACING OF ABSENT PARENTS -
INLAND REVENUE ASSISTANCE TO DEPARTMENT OF SOCIAL SECURITY

The Financial Secretary to the Treasury, Mr Peter Lilley MP, today announced that the Inland Revenue will assist the Department of Social Security in tracing absent parents who have failed to make maintenance payments.

In reply to a Parliamentary Question the Financial Secretary said:-

"Section 59 of the Social Security Act 1986 permits the Inland Revenue to provide information to the Department of Social Security and the Department of Health and Social Services for Northern Ireland, in connection with the operation of the benefit Acts, without breaching their confidentiality obligations. At present the information provided is confined to the details required to account for Class 1 National Insurance contributions, which the Inland Revenue collect on behalf of the DSS, and details of those known to be self-employed to assist DSS in collecting Class 2 National Insurance contributions.

I have ~~today~~ asked the Inland Revenue to extend the disclosures made under their authority to include the addresses of absent parents and, where appropriate, the names and addresses of their employers, in cases where the absent parent is liable under the Social Security Act 1986 to maintain lone-parent families receiving income support."

NOTES FOR EDITORS

1. Where a lone-parent family claims income support, the DSS tries to contact the absent parent about maintenance. But if neither the lone parent nor the DSS knows the absent parent's current address, the DSS is not able to take further action.

2. Information about taxpayers held by the Inland Revenue is confidential and may not be released to other parties - even other Government Departments - except in very strictly limited circumstances. Among these, Section 59 of the Social Security Act 1986 provides that, subject to the authorisation of the Board of Inland Revenue, information required in connection with the operation of any of the benefit Acts may be disclosed to the Department of Social Security or the Department of Health and Social Services for Northern Ireland. At present this information is confined to the details required to account for or collect National Insurance contributions. ^{in future addresses will be passed} ~~The Board have now authorised the passing of addresses~~ to those Departments, in connection with the tracing of absent parents liable under the Social Security Act 1986 to maintain lone-parent families receiving income support.

SOCIAL SERVICES
Updating Benefits
Pt 5





DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

N.B.P.M.

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The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

30th April 1990

Norman

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LONE PARENTS AND MAINTENANCE; ACCESS TO INLAND REVENUE DATA

Thank you for your letter of 18 April.

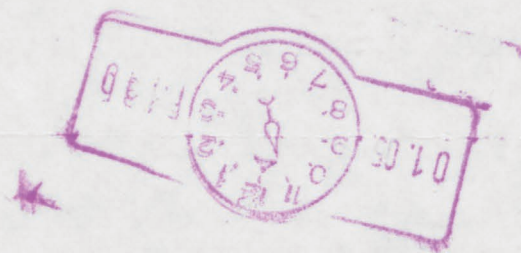
I very much welcome your statement that we can now implement this proposal. The pilot exercise done by our officials shows clearly that it is very worthwhile for Inland Revenue to provide DSS with the addresses of absent parents and names and addresses of their employers. I am happy for Peter Lilley to announce this along the lines of the draft Written Parliamentary Question and Answer enclosed with your letter, and it would be very helpful if his office could let mine know when this will be.

I am copying this to the Prime Minister, Geoffrey Howe, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington, Peter Fraser and Peter Lilley.

ever.
Tony

TONY NEWTON

SOCIAL SERVICES: Upgrading
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 April 1990

Dear Caryl,

LONE PARENTS AND MAINTENANCE:
ACCESS TO INLAND REVENUE DATA

The Prime Minister has seen a copy of your letter of 18 April to the Secretary of State for Social Security. She has noted that your proposals on access to Inland Revenue data are a useful part of the package to keep down the costs of income support.

I am copying this letter to Tim Sutton (Lord President's Office), Paul Stockton (Lord Chancellor's Office), Stephen Leach (Northern Ireland Office), Andy McKeon (Department of Health), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster), Colin Walters (Home Office), Alan Maxwell (Lord Advocate's Department), and Steven Flanagan (Financial Secretary's Office).

Yours ever,

Barry

Barry H. Potter

Miss Carys Evans,
Chief Secretary's Office,
H.M. Treasury.

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*Prime Minister*² *afu*

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Anthony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1

23 February 1990

Dear Secretary of State

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

We spoke last night about the proposal to give the DSS access to Inland Revenue information needed to trace fathers, which I have discussed with the Chairman of the Inland Revenue.

2. The Chancellor and I agree we should make this change, assuming it will actually help with the problem. At present the Inland Revenue shares information which DSS need to facilitate the recording of Class 1 NICs for the purposes of benefit entitlement. Since 1986, the Revenue has also provided information enabling DSS to check that self employed people are paying Class 2 NICs. However, although the legislation allows tax information to be passed to DSS "in connection with the operation of any of the benefit Acts", the Revenue does not provide the DSS with any information relating to benefit fraud. Treasury Ministers have also resisted pressure to let the Revenue give information about taxpayers to other departments, such as DTI for the Serious Fraud Office, the Home Office for immigration purposes, or to the police except in respect of murder and treason. We have made specific provision in the Drugs Act and the Prevention of Terrorism Act to enable Revenue information to be passed on under Court Order and there are of course, exchanges with Customs. The guiding principle has been that the Revenue does not provide information about taxpayers to any other Government agency except in the specific cases I have mentioned. The reason for this is that the tax system depends on voluntary compliance. The Revenue fears that unless taxpayers believe that the information they give them will be protected, the co-operation and openness on which tax collection depends will be at risk.

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3. You told me that you are simply seeking taxpayers' addresses to help trace fathers. You thought that Revenue data could help particularly to trace fathers who are members of the Armed Forces, self employed or overseas. I do not believe that for the Revenue to provide this specific information would amount to a major breach of taxpayer confidentiality.

4. You confirmed that you are not seeking access to Revenue information about taxpayer incomes - this would be a more significant step which I believe would cause serious difficulty.

5. I mentioned to you that Revenue Officials have some doubts as to whether their records would in fact give DSS much more up to date addresses than they already have. Because the Revenue PAYE system is largely based on dealing with employers, their records of taxpayers' private addresses are often out of date.

6. You agreed that we should extend DSS access only if the benefit would be significant. We have asked Revenue officials to consult DSS and report to us within two weeks on the contents of the IR/DSS data bases so that we can ensure that this would in practice improve our ability to trace fathers.

7. Because this would be a significant change in practice by the Inland Revenue it would need to be preceded by an announcement in the House, and there is at least a case for considering whether there should be more specific legislative cover.

8. I am copying this letter to the Prime Minister, Geoffrey Howe, James Mackay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington and Peter Fraser.

Yours sincerely

Norman Lamont

NORMAN LAMONT

(approved by the Chief Secretary
and signed in his absence)





DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

Pennie Minister ①

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The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1P 3AG

It was agreed at your meeting that
Inland Revenue Data on addresses
should be used. Work on this
is progressing.

Mr Newton is flagging up the need
to look in the longer term at the
release of information 1st March 1990
about incomes.

Andrew Dunlop suggests it would
be helpful if you were to support
his wish to examine this.

Agree?

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Yes no

Norman

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

Thank you for your letter of 23 February. I am grateful for
your confirmation that access to taxpayers' addresses presents
no problems and for your agreement to early work.

However, given the importance attached to our doing as much as
we can to trace absent parents who are not meeting their
obligations to their families - an importance underlined by
the Prime Minister's meeting on 20 February - I would not wish
to close down any options at this stage. I am sure it is
right to consider what contribution can be made by any data
source and on what terms it might be made available.

Arrangements for a quick pilot study on addresses are in hand.
Your officials and mine will be comparing the information held
by DSS and IR records on employer and employee addresses.
Obviously, if the results showed that the information provided
from your records is never any better than ours, then we would
need to think further; but if there is some prospect of gain
then clearly we should proceed.

I recognise and note what you say about access to Revenue
information about incomes causing you more difficulty, and so
we agreed that it would not be pursued for the present. But
because of the vital importance of effective reform of
maintenance I know you appreciate that we should examine what
part such information could play in relation, for example, to
the self-employed when we work up proposals for a new system
for awarding and collecting maintenance.

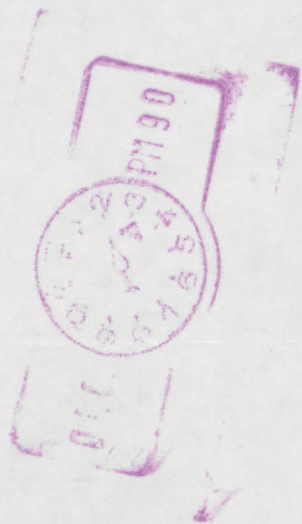
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E.R.

I am a little surprised at the suggestion that more specific legislative power is required. Our own understanding was that existing powers were sufficient. Is any suggestion of further legislative provision perhaps more for presentational rather than strictly legal reasons? I wonder too if in fact this is as significant a change as you suggest; it seems merely an extension of what already happens rather than a major change in practice. But all this will, of course, be clearer once we have established precisely what your data can provide and I suggest that our officials should sort out details and then report back on the implications.

I am copying this letter to the Prime Minister, Sir Geoffrey Howe, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington and Peter Fraser.


TONY NEWTON



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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 March 1990

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

The Prime Minister was grateful for a copy of your Secretary of State's letter to the Chief Secretary of 1 March. She notes the progress which is being made in this area and agrees with your Secretary of State that in the longer term it would be helpful to see whether information could be released from the Inland Revenue about incomes as well as simply addresses, as currently proposed.

I am copying this letter to Tim Sutton (Lord President's Office), Carys Evans (Chief Secretary's Office), Paul Stockton (Lord Chancellor's Department), Stephen Leach (Northern Ireland Office), Helen Shirley-Quirk (Department of Health), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster's Office) and Alan Maxwell (Lord Advocate's Office).

CAROLINE SLOCOCK

Ross Hutchison, Esq.,
Department of Social Security.

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Absent fathers face tax clamp on maintenance

by David Hughes
Chief Political
Correspondent

A SPECIAL Inland Revenue tax coding for fathers who abandon their families is being considered by ministers as part of a review of the law on maintenance payments.

The coding would allow payments to be deducted at source for the upkeep of lone mothers and their children.

The controversial move to use the tax system to trace absent fathers and recover money from them is one of the options being studied by Tony Newton, the social security secretary.

Newton has won the backing of Margaret Thatcher to push through reforms in an attempt to cut the £1 billion-a-year welfare bill for lone-parent families by maximising the recovery of maintenance.

Thatcher is determined to end what she sees as widespread abuse of the system which leaves the state having to meet responsibilities she says lie with fathers.

In a recent keynote speech on the subject to the National Children's Home, she said: "No father should be able to escape from his responsibility."

Thatcher has approved a two-stage approach to the problem. Newton will shortly announce moves to apply existing powers more vigorously to increase the amount of maintenance paid. Greater use will be made of powers to deduct maintenance payments from welfare benefits paid to absent fathers.

Newton has also ordered a detailed investigation of how the present system operates, how the courts work and how much maintenance is recovered.

Later this year Newton will bring forward a legislative package, prepared in conjunction with the Lord Chancellor's department, aimed at overhauling the law relating to maintenance and setting up court procedures to make its collection more efficient.

The use of tax codes to guarantee regular payments to mothers and children is emerging as a favoured contender despite the Inland Revenue's traditional reluctance to allow its data to be used for anything other than tax collection purposes.

Whitehall insiders say that, even with computerisation of the tax system, a "maintenance code" for absent fathers could still be difficult to administer.

But social security officials believe it could be the most effective way of keeping track of a father who might flit from job to job in an attempt to evade family responsibilities.

Newton plans to travel to Wisconsin in the United States over Easter to see how the system there operates. The state has a high success rate in

recovering maintenance from absent fathers, employing sweeping powers to investigate computer data of all kinds and using special courts and magistrates who can process cases within days.

The drive to reform the system has been prompted by growing concern in Whitehall about the cost of welfare support for lone-parent families.

The number of single-parent families has risen sharply over the past decade. Nearly 700,000 single mothers receive benefit, and three-quarters of them receive no maintenance payments. Nearly 300,000 lone parents are unmarried mothers.

The Labour party has said that maintenance payments recovered from absent fathers should be used to improve overall benefits for single parents and their children, and not as a means of cutting the social security budget.

However, Whitehall officials concede that a central aim is to cut the growing cost to the taxpayer of single-parent families and to make it clear to absent fathers that they cannot escape their financial responsibilities.

The success of the reform will depend on the co-operation of the 290,000 unmarried mothers in Britain, who are the largest category of single parents claiming income support. They are under no obligation to name the fathers of their children and there are no plans to change this.

PPM
2 March 1990

LONE PARENTS: ACCESS TO INLAND REVENUE DATA

There are two separate issues here:

- access to taxpayers' addresses: this would help trace absent fathers;
- access to information on taxpayers' incomes: this would assist the assessment of maintenance levels to be paid under an administrative formula.

Tony Newton and Norman Lamont are agreed on the issue of addresses. Norman Lamont foresees however, a difficulty with the information on incomes. Tony Newton recognises this, and is not pressing the issue at present. But he is keen not to rule out options at this stage.

Comment

Ministers have expressed support for the idea of assessment via an administrative formula and collection through a child support agency within the Inland Revenue. It would clearly enhance the effectiveness of such a system if the agency had access to data on incomes. This is the situation in the case of the Australian model. Tony Newton is right, therefore, in not wanting to close off options at this stage.

Recommendation

Support Tony Newton's desire to examine what part information about incomes might play in a new system for awarding and collecting maintenance.

PP *D.A. Dunlop*
ANDREW DUNLOP