

CONFIDENTIAL

BARRY POTTER

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Community Charge: Non-collection

The attached from today's Independent looks ahead to the Audit Commission report on this subject due later this week.

Howard Davies tells me that the report's aim is not to analyse the present situation for its own sake, but rather to establish best practice for making next year's non-collection assumptions. To this end, authorities will be urged to analyse exactly why current shortfalls have arisen. Is it deliberate non-payment, for example, or their own inefficiency? (He suspects that quite a lot of councils don't actually know).

The ADC tells me:

- their latest straw poll of treasurers puts non-collection to date in the 6-10% range.

- there are hardening impressions among the same that they will face shortfalls in budgeted receipts by the end of the financial year.

An average 90% assumption for 1991-2 is probably a realistic assumption. That is likely in Scotland too, where 95% in year 2, as well as year 1, looks over-optimistic. (Scotland's outturn in year 1 was about 90%).

The extra 5 percentage points mean an extra £20 on average charge. Next April's RPI would fall by 0.25 less than otherwise.

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## 6 HOME NEWS \*\*\*

# Poll tax defaulters report 'too rosy and could be misused'

A REPORT by the Audit Commission which says that 85 to 90 per cent of people have "paid something" towards the poll tax, will be criticised for painting "too rosy a picture" when it is published this week.

There are fears within the Conservative-controlled Association of District Councils (ADC) that the Government will use the report to support claims that the tax has caused few administrative problems.

In reality, many councils were finding themselves in a "deteriorating position", the association said. Large numbers of people who began the year paying the flat rate charge have stopped meeting instalments.

The Audit Commission, which advises on efficiency, will say that the overwhelming majority of people in the 50 local authorities it surveyed had paid something by the end of the summer.

It will recommend that councils should seize property quickly and not wait until all other methods of collecting the tax from non-payers had failed before sending in bailiffs.

The shock caused when it becomes known that a local authority had ordered the seizure of goods has been shown to be the most effective means of raising missing tax revenue.

A senior ADC official, who did not wish to be identified, said he was worried about the commis-

By Nick Cohen  
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sion's figures. "What does the phrase 'had paid something' mean?" he asked.

He said that the only sensible measure of whether the tax was working was to compare money received by treasurers with the amount councils would expect to have collected if payments were on target.

The association said that while some of the shire authorities it represented had collected about 90 per cent of their poll tax, others had been paid only 60 per cent of the money they had hoped to have received by now.

"Many of the commission's comments are helpful," the official said.

"But there is a danger that Michael Portillo [the Government's poll tax minister] will use the report to claim that nearly everybody is paying all the money they owe - which is not true. The collection problems are almost getting worse."

The Labour-controlled Association of Metropolitan Authorities refused to comment on the Audit Commission's report until it was released officially. But it is understood that it has joined with the ADC in sending the commission criticisms of a draft version of the report and of the small number of councils surveyed.

Both the associations said they were receiving reports of people stopping payments after a few months. They said that tax receipts went down when news spread locally of the bureaucratic problems the poll tax had brought or when court cases against non-payers collapsed.

The anecdotal evidence from England is backed up by findings from Scotland, where the tax was introduced a year earlier.

The Confederation of Scottish Local Authorities has said that fewer Scots were paying the tax this year than in 1989.

It said that the sight of non-payers escaping punishment was behind the fall. Critics of the charge said the decline had come because people could not afford to keep paying.

The Government and every council in England assumed that 95 to 97.5 per cent of the people registered by poll tax officials in March would pay all the money they owed by April 1991.

If they are wrong, the tax will have to rise substantially to cover the losses this year and to take account of a higher level of non-payment in the next 12 months.

"Even a good authority which received 90 per cent of the money it expected would have to raise the charge substantially," an ADC official said.

The Audit Commission said it would not comment until the report had been published.