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THIRD REPORT FROM THE SELECT COMMITTEE ON THE
PARLIAMENTARY COMMISSIONER FOR ADMINISTRATION,
SESSION 1977-78: GOVERNMENT OBSERVATIONS

Memorandum by the Minister of State, Civil Service Department

I attach the Government's reply to the Third Report from the Select Committee on the Parliamentary Commissioner for Administration, Session 1977-78, which has been approved by the members of Legislation Committee and the Secretary of State for Social Services. It is to be published as a White Paper on Wednesday 23 January.

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Civil Service Department

21 January 1980

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**Third Report from the Select Committee
on the
Parliamentary Commissioner
for Administration**

Session 1977-78

Observations by the Government

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THIRD REPORT FROM THE SELECT COMMITTEE
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FOR ADMINISTRATION

SESSION 1977-78

Observations by the Government

Introductory

1. This White Paper contains the Government's response to a number of observations and recommendations made in the Select Committee's Third Report for Session 1977-78*.

Interest on tax paid late

2. In paragraphs 9-11 of their Report the Select Committee recommended certain changes in the arrangements for payment of interest on tax paid late.

3. The Government accept in principle the case for two changes recommended in paragraph 9 of the Report—first, that the *de minimis* limit for charging interest should be raised from £10 to £20; and second, that the statutory date when payment of tax on taxed income assessments is due should be made later.

4. A difficulty about the recommended six months' deferral of tax which is now due on 6 July is that it would then become due for payment in the following January, a time of year when there is already a substantial flow of tax to the Exchequer. Adding to receipts then would present extra problems for the management of the money market and for achieving an acceptable pattern for the money supply in the first quarter of the year. The Government therefore propose instead that the statutory payment date should be changed to 1 December, a deferral of five months. With that modification, the Government are ready at an appropriate time to introduce the legislation which would be needed to implement these recommendations. The Government consider that it would be reasonable to take that opportunity to make a similar change in the due date—also 6 July at present—for payment of capital gains tax.

5. The Government recognise the importance of explaining the rules about interest adequately, and they note the Select Committee's welcome in paragraph 9 of their Report for the steps which the Inland Revenue have already taken with a view to widening taxpayers' awareness of the interest provisions and their understanding of them. The Government note that in paragraph 9 of their Report the Committee also expressed the view that the rate of interest charged on arrears of tax should be revised more frequently and added the suggestion of a link with Minimum Lending Rate. The Government recognise the importance of keeping the rate under regular review, but in considering how responsive it ought to be to changes in interest rates generally they think that weight must also be given to the greater convenience that a reasonably stable rate represents for taxpayers and orderly administration alike. For the future, the

* HC 544, 295.

Government will continue to have regard to the need to keep a balance between convenience and the maintenance of a sensible relationship with market rates generally in the interests of both the individual taxpayer and the public purse.

6. The Government note the Select Committee's criticism in paragraph 10 of their Report of the argument that the present interest provisions achieve equity between the taxpayer and the public purse by neutralising the advantage to the taxpayer who pays late; the Committee felt that there is a penal effect because the interest charge is often greater than the net after-tax yield of the income that the taxpayer would have got from investing the unpaid tax. The incidence of interest payable on arrears of tax ought, however, also to be seen against the background of the general non-deductibility for tax purposes of interest on borrowing. The Government are reviewing the rules for charging interest on unpaid tax, as well as those relating to the repayments supplement, in the light of the Select Committee's comments.

7. The Government note that the Committee have accepted that it would be impracticable to correct the imbalance between the starting date for calculating interest on tax paid late and that for calculating the repayment supplement (paragraph 11). The Committee suggested that the effects of this difference could be mitigated by using a higher rate of interest for the repayment supplement. This would, in the Government's view, serve to increase the dissatisfaction of those who, because they receive repayment within twelve months of the end of the year of assessment, get no supplement. The accompanying arbitrary adjustment in favour of those already entitled to a supplement would provide very little compensation to those whose supplement covered only a month or two, while giving too much to those whose supplement covered a period of, say, two or three years. The Government will, however, reconsider the point in their review of interest rules and the repayment supplement.

The complexity of the social security system

8. In paragraphs 12-18 of their Report the Select Committee drew attention to the view of the Parliamentary Commissioner that it was the complexity of the social security system itself which gave rise to many of the complaints made against the Department of Health and Social Security. The Committee urged the Government to take full note of his observations and to accelerate consideration of ways of removing the cause of so many grievances.

9. The Department note the Select Committee's views about the need to persist in efforts to simplify the whole structure of social security benefits, to which this Government are committed. The factors giving rise to complexity are, as explained in evidence to the Committee, difficult to overcome in many respects, but a number of major simplifications have nevertheless been achieved in recent years. Efforts to this end continue. In particular a report of a comprehensive review of the Supplementary Benefits Scheme was published as a consultative document in July 1978. The background papers prepared for the review are also available to the public and interested bodies, and individuals have thus been enabled to comment before decisions are taken about changes in the Scheme. Many of the possible changes outlined, such as the simplest possible

rules for assessing a claimant's resources and a clearer legal structure for the Scheme with less reliance on discretion, are aimed at making the Scheme easier to understand and administer. The Secretary of State published on 29 November 1979 a Social Security Bill, one of the main purposes of which was to embark on the first stage of reforms to simplify the Supplementary Benefits Scheme. Within the Department there is also a continuous quest for simplification. Between 1974 and 1979 a joint working party of Staff Side and Official Side representatives reviewed the scope for simplifying work and procedures and has dealt with over 2,000 suggestions from both staff and line management. This is against the background of other long established methods, such as the use of Management Services reviews and through the staff suggestions scheme.

10. Taking into account the difficulties recognised by the Committee, the Department see no present prospect of enabling the public to deal with only one office over all aspects of social security benefits. But they have noted the Committee's views and, in so far as practical considerations allow, will continue to move as rapidly as possible towards a more fully integrated system.

11. The process of examining and improving leaflets and other communications to the public from all points of view—purpose, clarity, brevity, accuracy and so on—is continuous. By way of illustration, supplementary benefit leaflets issued in late 1977 (as reported in evidence to the Select Committee), although found by claimants to be an improvement over previous versions, have been further revised and simplified with the help of outside bodies. Some DHSS publications are produced with both the public and advisory groups in mind, such as *Which Benefit*, *The Supplementary Benefit Handbook* and the periodical *Supplementary Benefit Notes and News*. On occasions leaflets have been produced to meet short-term advisory needs, for instance for doctors in explanation of Attendance Allowance. On the whole, however, the Department consider that there is more to be gained by concentrating on improved leaflets which will better serve the needs of both claimants and advisory bodies than by increasing the already extensive range of leaflets now available.

"A War Pensions Injustice Remedied"

12. In paragraphs 19–21 of their Report the Select Committee referred to the Parliamentary Commissioner's report, "A War Pensions Injustice Remedied". They welcomed assurances on behalf of the Department of Health and Social Security that everything possible would be done to ensure that nothing of this kind could occur again, and trusted that the Department would do all they could to trace any similar cases.

13. The then Secretary of State's decision to refer the original case to the Director of Public Prosecutions led to a police investigation. Following this, the Director decided that no proceedings should be instituted. The Secretary of State made a statement about this outcome in reply to a Parliamentary Question on 13 November 1978 (Official Report, Volume 958, Written Answers, cols. 71–2). He made it clear that he strongly condemned the decisions which had led to this complaint. He did not propose further disciplinary action at that stage, but had taken steps to ensure that all concerned were aware of the gravity of the

matter and that the lessons to be learned had been brought forcefully to the attention of officials currently engaged on social security administration.

14. The Department have continued their efforts to trace any other officers who might be in a similar position to the one whose case was dealt with in the Commissioner's report. As the Committee suggested, the Department approached the main ex-Service organisations to seek their co-operation in identifying cases. Including the one dealt with in the report, a total of 59 cases have now been identified. In 35 of these no rank addition at all had been awarded; in the remaining 24 the position had previously been corrected back to October 1974 but payments for rank addition were due for an earlier period, back to the date of the officers' termination of service. Payment of the arrears due and of compensation for the delay has been or is being made in all these cases.

15. The wider implications for departments of the administration of legal entitlements have been examined in a Government report, *Legal Entitlements and Administrative Practices*, published in December 1979*.

Compensation for delayed payments or repayments

16. The Select Committee referred in paragraphs 22-26 of their Report to the recommendation in their First Report for Session 1974-75† that the recipient should in principle be given some compensation where payments or repayments have been unduly delayed through no fault of his, and to the then Government's undertaking in reply‡ to consider individual cases involving departmental error on their merits. They drew attention to a case in which delay occurred which was neither the fault of the recipient nor attributable to departmental error, and urged the Government to extend the payment of compensation to cases in which the recipient has suffered significant financial loss as the result of a prolonged delay for which he was not to blame.

17. The Government cannot accept a general obligation to pay compensation where there is no departmental error or omission, and the Committee have acknowledged that they do not expect interest to be paid in every instance. The amount of time required for adequate consideration of claims for payments or repayments will vary widely depending on the circumstances of each case, and compensation would not be appropriate in respect of such periods. Nor could such an obligation be accepted where delay is the fault of third parties. But the Government do accept that individual cases may arise where recipients of benefits or grants sustain significant financial loss as a result of prolonged delays for which neither the recipient nor the Department is to blame, and where the circumstances call for sympathetic treatment. These might include cases in which delay was attributable to mental illness on the part of the claimant. Departments will be prepared to consider the possibility of *ex gratia* payments in such cases.

* HMSO, price £1.

† HC 454, paragraph 21.

‡ Cmnd. 6442, paragraph 9.