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MEMORANDUM TO THE SECRETARY OF STATE'S EXECUTIVE COMMITTEE

PUBLIC DEBT: THE EFFECTS OF THE CIVIL DISOBEDIENCE CAMPAIGN

1. The PCC has considered a report from the interdepartmental Payment for Debt (Policy) Committee (PDP) which regularly reviews the problem of public debt which originated in the campaign of civil disobedience. The report was dated 23 January 1975 and its statistics (quoted here) relate to that date.

General situation

2. The 'civil disobedience' element has been greatly reduced. Always difficult to distinguish from the security situation as a reason for withholding payments, it is becoming increasingly merged in the general problem of public debt which remains serious. In the circumstances the distinction between the two kinds of debt should be allowed to disappear, thus removing any special aura from civil disobedience debt.

Rent debt

3. The number of strikers has been reduced from 28,000 to about 5,050 who owe about £0.87 million. 2,590 of them are having allocations made from their social security benefits. A further £1.5m is owed by people who have already made arrangements with the Housing Executive.

4. Allocation of social security benefits is still the most potent weapon against those who are wilfully withholding rent. The amount of the allocation is determined on the basis of a 'family formula'. When the system was introduced in 1971, it coincided with an uprating of benefits and the allocation was fixed at half of the difference between the old and new rates. This worked out at about 8.3% of the new rates. Although benefit rates, except family allowances, were increased in October 1972 and again in October 1973, the 'family formula' was not increased until 1974 when the calculation was again 8.3% of the new rates.

5. Rates are to be revised again with effect from 1 April 1975. The new rates are approximately 15% higher than the old; in addition family allowances are being increased by about 66% for the first qualified child and 33% for each subsequent child. It is therefore proposed that on this occasion the allocation should be 10% of the revised benefit rate for each member of the family, as follows:-

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Single person	£1.15 (80p)
Spouse	70p (50p)
Child	55p (20p)
Family formula maximum	£3.50 (£2.50)
ERS in payment	£4.50 (£3.50)

(Existing rates in brackets)

6. Hitherto the rate of deduction for children in the family formula has been kept specially low. On this occasion the same percentage has been used as family allowances are also being increased. Nevertheless in view of the sharp increase from 20p to 55p for each child, Ministers may wish, for presentational reasons, to consider a smaller allocation than 55p.

7. A further increase in benefits will occur in the autumn of 1975. If the present proposal for increasing allocations is approved, it would help preparatory work if Ministers would also agree now that in the autumn allocations should again be increased so that they are 10% of the new benefit rates.

Rates debt

8. At the end of December the total apparent rate debt inclusive of arrears from previous years stood at about £21 million (ie about 40% of the 1974/75 collection) of which £5½m was owed by public bodies and about £1¼m related to vacant hereditaments. It is estimated that roughly £780,000 of the debt (owed by about 7,500 persons) has its origin in the civil disobedience campaign. Action is being taken to recover rates owed by public bodies and also to see that there is not a recurrence.

9. Benefit allocation procedures are being applied only to cases where the amount of debt is at least £25; but we are considering whether it would be economic to substitute a minimum of £15 later this year. 171 allocations are currently being made. The same "family formula" as for rents is used and it is proposed that the same increase should be made on 1 April 1975 and again in the autumn.

10. As well as the "family formula" a fixed sum of £1 is deducted in each case. (In rent cases the current rent may be deducted as well as the "family formula" amount). It is proposed that this figure of £1 should be increased to the amount of the average deduction for current rent (at present £2.90).

11. It is also proposed that in line with the decision already taken on rents and the rent rebate scheme persons wilfully withholding payment of rates should be excluded from benefitting from the rates rebate scheme.

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12. Ministers are asked to approve action under Section 1 of the Payments for Debt (Emergency Provisions) Act (NI) 1971 to recover from salaries and other official payments sums owing in respect of the second instalment of rates for 1974/75. Ministers have already approved recoveries in respect of the first instalment.

Fuel debts

13. The total debt for gas and electricity supply is about £4m, divided equally between the two services. It is very tentatively estimated that of the electricity debt about £0.6m (9,000 debtors) is the result of civil disobedience; the corresponding figure for gas debts is about £0.2m (3,500 debtors).

14. Hitherto the security situation has made it impossible to apply the normal sanction - disconnection - in the areas where debts are highest. In the circumstances the main weapons are persuasion and legal procedures which the undertakings are being pressed to use to a greater extent. It is possible however that if the ceasefire is maintained, debt collection by the fuel undertakings may become a more manageable problem.

Future of Benefit Allocation

15. The records upon which the procedure depends are to be transferred to Newcastle-on-Tyne in 1977. Since the procedure is the most effective means of recovery it is important that it should be maintained for as long as possible. Present indications are that this may be until Spring 1976. It is proposed that a decision on the termination date should be taken in 6 months' time. In the meantime the PDP Committee will be considering whether some way of continuing to allocate benefit cannot be found.

Publicity

16. Throughout the civil disobedience campaign the most immediate and largest reductions in the number of strikers have been linked with political initiatives. It is proposed therefore that there should be an early Ministerial statement or statements setting out the decisions taken on this memorandum. The ceasefire provides an opportunity to encourage a return to normality in payments to public bodies, both for its own sake and also to ensure the flow of money needed to pay for works of rehabilitation.

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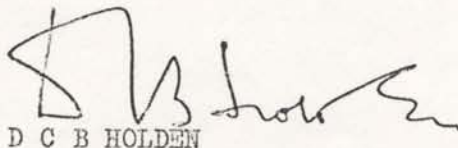
Timing

17. Administratively the simplest (and cheapest) way of introducing the revised rates of benefits allocation (if approved), would be to do it at the same time as order books are in the hands of the Department of Health and Social Services for the purpose of giving effect to the forthcoming increases in benefits. This would require a decision before the end of February. Otherwise the introduction of the new rates of allocation will have to be delayed.

Summary

18. It is recommended that:-

- (i) the distinction between debt due to civil disobedience and other debt should be allowed to disappear (para 2);
- (ii) the family formula for allocations of social security benefits in respect of rent and rates debts should be revised (paras 5, 6 and 9);
- (iii) preparations should be made for a further revision in the autumn of this year (para 7);
- (iv) the fixed sum of £1 deducted from benefits in addition to the 'family formula' in rates cases should be increased to the average deduction for current rent (para 10);
- (v) persons wilfully withholding rates should not benefit from the rates rebates scheme (para 11);
- (vi) deductions should be made from salaries and other official payments where the second instalment of the 1974/75 rates is still unpaid (para 12);
- (vii) a decision to terminate the benefit allocation system should be deferred for 6 months (para 15); and
- (viii) decisions on these recommendations should be made public by way of Ministerial statement (para 16).



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