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CC(82) 53rd
Conclusions

COPY NO 79

CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

THURSDAY 16 DECEMBER 1982

at 9.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon William Whitelaw MP
Secretary of State for the Home Department

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

The Rt Hon Francis Pym MP
Secretary of State for Foreign and
Commonwealth Affairs

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon James Prior MP
Secretary of State for Northern Ireland

The Rt Hon John Nott MP
Secretary of State for Defence

The Rt Hon Peter Walker MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry

The Rt Hon John Biffen MP
Lord President of the Council

The Rt Hon David Howell MP
Secretary of State for Transport

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

The Rt Hon Leon Brittan QC MP
Chief Secretary, Treasury

The Rt Hon Baroness Young
Lord Privy Seal

The Rt Hon Nigel Lawson MP
Secretary of State for Energy

The Rt Hon Norman Tebbit MP
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP
Chancellor of the Duchy of Lancaster
and Paymaster General

The Rt Hon Lord Cockfield
Secretary of State for Trade

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Mackay of Clashfern QC
Lord Advocate (Item 5)

Sir Ian Percival QC MP
Solicitor General (Item 5)

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Items 4, 6, 7 and 8)
Mr D J S Hancock (Items 2 and 3)
Mr A D S Goodall (Items 2 and 3)
Mr D H J Hilary (Items 1 and 5)
Mr M S Buckley (Items 4, 6, 7 and 8)
Mr L J Harris (Items 1 and 5)

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PARLIAMENTARY
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the following week, and of the business provisionally arranged for the first week after the Christmas Adjournment.

Immigration
Rules

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 1

THE HOME SECRETARY said that, in spite of the most strenuous efforts by himself, the Chief Whip, and other Ministers, the Government had been defeated in the House of Commons the previous night in a division against the new Immigration Rules, in which a number of Government supporters had voted with the Opposition. Fresh Rules would have to be laid within 40 Parliamentary sitting days, but the Rules on which the House had voted would still come into effect on 1 January 1983 if fresh Rules had not been made by then. This meant that the Government had several weeks in which to try to formulate new Rules which would command a Parliamentary majority. The Opposition spokesman on home affairs had accepted on a contingency basis, before the vote, that fresh Rules need not be made before 1 January. He would be arranging for the Minister of State, Home Office, (Mr Raison) to consult urgently with Conservative Members of Parliament who held conflicting views on this issue, in the hope of being able to arrive at a formula generally acceptable to the Government's supporters. If this proved impossible, he might have to introduce revised rules on the lines originally proposed in the White Paper, without the changes conceded under pressure from those Conservative Members who had voted against the present Rules. The Opposition had indicated that they would in that event abstain. It had to be accepted that none of the options now under consideration would remove the likelihood of a successful challenge under the European Convention on Human Rights.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet were deeply appreciative of the efforts made by the Home Secretary and the Chief Whip to avert a Government defeat the previous evening, and the Home Secretary would have the Cabinet's unanimous backing, in the course of action he now proposed to follow. They fully accepted that nothing more could have been done in the face of the determined opposition from the dissenting Conservative Members. There was already considerable anger among the Government supporters about the action taken by this small minority, but it was of the utmost importance that further damaging divisions within the Conservative Party on this issue should be avoided. It would be important that those concerned should understand that, if a compromise acceptable to all Government supporters could not be reached, the Government would be compelled to introduce revised Rules on the best terms which would command a Parliamentary majority; but that would be the least satisfactory outcome.

The Cabinet -

Took note.

FOREIGN
AFFAIRS

Middle East

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 3

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that action was continuing with the object of restoring the United Kingdom's position in the Arab world and to contain the damage caused by the breakdown of the arrangements for the visit to London by an Arab League Delegation headed by King Hassan of Morocco. There appeared to be no immediate threat to British commercial interests, but the danger was not yet over and relations with the Arab countries were still difficult. Lord Chalfont's mission to King Hassan of Morocco had been successful. The King's personal pique had been allayed and he now wanted to bring the delegation to London in February. But there was no certainty that the delegation would agree to come if the Arab wish to include a representative of the Palestine Liberation Organisation were refused. Various formulae were now being explored by the Foreign and Commonwealth Office.

Lebanon

Previous
Reference:
CC(82) 47th
Conclusions,
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Lebanese Foreign Minister, Dr Elie Salem, on his recent visit to London, had stressed the symbolic importance for Lebanon of at least token participation by the United Kingdom in the Multinational Force; and it had been agreed that the United Kingdom would contribute a contingent of 80 men for a period of three months. The intention was that the contingent should be drawn from British units serving with the United Nations Forces in Cyprus, and this was currently being negotiated with the United Nations authorities. No public announcement would be made until agreement had been reached with the United Nations.

South Africa

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 3

THE FOREIGN AND COMMONWEALTH SECRETARY said that, following the South African raid on the capital of Lesotho, action had been taken as agreed in Cabinet on 9 December: a formal protest had been made to the South African Ambassador in London and the United Kingdom had supported the resolution in the United Nations General Assembly condemning the South African action. A member of the South African Embassy in London, Mr Joseph Klue, had been withdrawn following an approach by the Foreign and Commonwealth Office to the Embassy. There was no doubt that Mr Klue had been implicated in break-ins at the London headquarters of the South West African People's Organisation and elsewhere. It had not been the intention to announce that Mr Klue was being withdrawn at British request, but the news had leaked to the Press, probably from police sources.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Community
Budget:
1982 Refunds

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 4

3. THE CHANCELLOR OF THE EXCHEQUER reported that, in Strasbourg that morning, the European Parliament had voted to reject the Amending and Supplementary Budget for 1982, which included provision for the payment to the United Kingdom of refunds before the end of the year as a charge to the 1982 budget. This was clearly a very serious matter; but it did not necessarily mean that the United Kingdom would fail to get the money by the end of the year in accordance with the agreement reached by the Council of Ministers on 26 October. It might be possible to persuade the Commission to transfer the funds into their account in London before the end of the year. The accounting arrangements were such that the money would automatically be lent to the Government. By coincidence, President Thorn of the Commission was in London on a visit, and the Chancellor of the Exchequer was arranging to see him to discuss this possibility, and also the further arrangements that would be necessary to transfer the money to the Government's account at the latest before the end of the financial year 1982-83.

THE PRIME MINISTER, summing up a short discussion, said that a meeting of Ministers should be arranged for the following week to discuss the situation created by the European Parliament's vote. In the meantime, if she were asked about the matter at Question Time that afternoon, she would be bound to say that, if the terms of the agreement on 26 October were not fulfilled, the possibility of withholding part of the British contribution to the Community in order to achieve the result intended by the Council of Ministers would have to be seriously considered.

New Zealand
Butter and
Exports to
the Soviet
Union

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 4

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that at the Council of Ministers (Agriculture) on 13 October the French and Irish delegations had refused to agree to the formal approval of the regulation implementing the agreement on New Zealand butter. The French had said that they would hold up this regulation until the Commission approved the export of 50,000 tonnes of butter to the Soviet Union. The eight other member states and the Commission were now putting strong pressure on France and Ireland to respect the agreement reached. It was technically possible for the Commission to allow New Zealand butter to come into the Community month by month, but this would be an unsatisfactory outcome because it would take the pressure off the French. In the meantime there were sufficient stores of New Zealand butter in store to maintain supplies to the trade.

Common
Fisheries
Policy

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 4

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD reported that the Commission were having discussions with the Danish Government to see what could be done to persuade them to accept the Common Fisheries Policy. The Minister had discovered that the President of the Commission was thinking of offering a concession at the expense of the United Kingdom. He had been firmly told that this was not possible. If no agreement were reached on the Common Fisheries Policy, Orders providing for the necessary national measures would be laid before Parliament. They would be subject to negative resolution procedure.

The Cabinet -

Took note.

INDUSTRIAL
FAIRS

British
Steel
Corporation:
Future
Strategy

Previous
Reference:
C(82) 51st
Conclusions,
Minute 3

4. THE SECRETARY OF STATE FOR INDUSTRY said that the finances of the British Steel Corporation (BSC) had deteriorated in recent months because of adverse market trends. Losses were now running at about £7 million a week. The Chairman of the BSC, Mr MacGregor, had indicated to him that it would be necessary in the near future to close one of the BSC's five major integrated steel works if the Corporation was to have a chance of breaking even in 1983-84: in present circumstances, that one would be Ravenscraig in Scotland. He had told Mr MacGregor that, before the BSC decided to close any of the five major works, the Government would need to consider the situation in all its aspects. Closure would be justified if the market for steel remained indefinitely at its present depressed level. There were, however, prospects of an improvement, and it would, therefore, be wrong to take the irrevocable step of closure. It was also relevant that far more steel-making capacity had recently been closed in the United Kingdom than in other Community countries: it was now the turn of others to make reductions. He had protested to the Commission about their decision in the recent Arbed-Saarstahl case. He accordingly proposed to ask the BSC to draw up their new corporate plan on the assumption that all five major integrated sites would remain open; and, in the context of such a plan, to prepare a detailed case for the proposed modernisation of the hot strip mill at Port Talbot.

He would make a statement on this basis to the House of Commons on Monday 20 December. This would make it clear that none of the BSC's works was safe from closure forever, but that each depended for its future on improved efficiency and the demands of the market; and that the BSC was free to take measures, other than major closures, to reduce costs. The statement would not exclude the closure of the 'ingot route' facility at Ravenscraig, which the BSC was expected to announce in the near future. It would not be possible to give detailed figures before the new corporate plan had been produced and studied; but he would make it clear that he intended to continue the downward path of public financing for the BSC, though not as quickly as previously envisaged. His statement was likely to be criticised both by the Opposition and, on different grounds, by some of the Government's supporters; but he was satisfied that the policy of avoiding an immediate and irrevocable decision about the level of steel-making capacity in this country was correct.

The Cabinet -

1. Took note.

National
Health
Service
Pay Dispute

Previous
Reference:
C(82) 52nd
Conclusions,
Minute 5

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the ballot by the Royal College of Nursing had the previous day shown a majority of 84 per cent in favour of accepting the two year pay offer and later that day the Health Services Committee of the Trades Union Congress had also decided in favour of a two year settlement on the basis which the Government had previously indicated. The pay negotiations would now be formally concluded at meetings of the various Whitley Councils, and the dispute was, therefore, at an end. Although the industrial action had undoubtedly damaged the National Health Service, it was satisfactory that a settlement had been reached on the basis of pay increases of 6-7½ per cent for 1982-83 and 4½ per cent for 1983-84.

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The Cabinet -

2. Congratulated the Secretary of State for Social Services on bringing the National Health Service dispute to such a satisfactory conclusion.

Water
Industry and
Local
Authority
Manual
Workers' Pay
Negotiations

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that it seemed likely that the trade unions representing the water workers and those representing local authority manual workers would make no further significant moves in their respective pay negotiations until after Christmas. There had been reports that the local authority manual workers might be prepared to settle for 4½ per cent and the water workers for 6 per cent; these figures were, however, still high in relation to the current level of pay increases in many other industrial countries.

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 5

The Cabinet -

3. Took note.

Lloyd's

THE SECRETARY OF STATE FOR TRADE said that he had spoken to the Chairman of Lloyd's and discussed with him the measures which the Committee of Lloyd's would be taking to tighten up the supervision of their members' activities. He was continuing to resist demands for an outside inquiry into the affairs of Lloyd's as a whole. He had, however, stressed to the Chairman that it was important for Lloyd's to press ahead with their own programme of action and that the Government would wish to be warned as soon as possible if any new problems came to light. He would be having a further meeting with the Chairman early in the New Year.

The Cabinet -

4. Took note.

National
Coal Board
Closures

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 5

THE SECRETARY OF STATE FOR ENERGY said that the National Coal Board (NCB) was about to announce the closure of the Kinneil Colliery in Scotland. All those who would be redundant would be offered new jobs at the Longannet Colliery. Mr Scargill, the President of the National Union of Mineworkers, and Mr McGahey, the Scottish Miners' leader, would nevertheless exploit the issue with the aim of provoking industrial action, which might coincide with similar action in Wales early in the New Year. The NCB were, however, confident at present that miners in the English coalfields would resist attempts to draw them into industrial action over pit closures.

The Cabinet -

5. Took note.

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INTERIM
PAYMENTS FOR
CIVIL LEGAL
AID WORK

5. The Cabinet had before them a minute dated 15 December from the Home Secretary to the Prime Minister reporting the outcome of a meeting of the Home and Social Affairs Committee (H) on a proposed scheme for interim payments for civil legal aid work.

THE HOME SECRETARY said that under existing arrangements no payment was made to solicitors and barristers in civil legal aid cases until the cases had been completed and the costs had been duly certified, or "taxed". At present, £250 million was owing to the profession for work already done, and, on average, payment was being made some 2½ years after a legal aid certificate had been issued. H Committee had considered on 14 December a proposal put forward by the Solicitor General for reducing the arrears by a scheme of interim payments, the cost of which would be around £80 million, all of it falling in the current financial year. This was intended to leave some scope for introducing a longer-term scheme from 1983-84 onwards. These proposals had proved unacceptable to the Chief Secretary, Treasury, and it had become clear that the issue could be resolved only by the Cabinet itself.

THE LORD CHANCELLOR said that it was indefensible as a matter of commercial probity that the Government should deliberately withhold payment for work done. No interest was payable on the outstanding debt, and the eventual payments were made in depreciated currency. Young lawyers were particularly badly affected by the need to finance the debt by raising overdrafts, and there was an increasing reluctance on the part of solicitors to establish themselves in inner city areas, where a high proportion of civil cases were financed from legal aid. There was evidence that many of the best new law graduates were taking salaried posts in firms of solicitors or accountants, rather than, as previously, contemplating a career at the Bar. The situation was putting heavy strains on the integrity of the profession, on which the administration of justice and the maintenance of standards of public conduct depended. The legal aid system was mainly administered by the profession, and if their goodwill were lost there would be heavy and expensive additional demands on the Civil Service. The present arrangements had their origin in the reluctance of some solicitors in the past to settle promptly with barristers, but that situation was now changing, and it was wrong that the Government should be seen to be lagging behind. The scheme put forward by the Solicitor General would bring forward into 1982-83 payments which would otherwise have been made in later years, but would involve no net extra cost, and H Committee had been assured that it would have no repercussions on pay negotiations in the National Health Service. The concession agreed by the Treasury, under which £3 million would be made available to guarantee the payment of 75 per cent of barristers' fees within six months of the ending of the case, was derisory. He invited the Cabinet to approve the early introduction of a scheme on the lines suggested by the Solicitor General, or, failing that, to agree in principle that a scheme for a more gradual reduction of the debt should be announced.

THE CHIEF SECRETARY, TREASURY said that he accepted that long delays in making payment for work performed were undesirable in principle. It had, however, been the custom of both branches of the profession in privately-funded cases to receive their fees at the end of a case, and he did not believe that it would be appropriate for the public sector to take the lead now in changing this situation. He saw no evidence of serious recruitment or retention problems in the profession. Although there might be an increasing tendency for solicitors to require staged payments in privately-

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funded cases, the Chairman of the Bar Council had said recently that the practice of "fee with brief" had fallen into disuse. The fees charged by the profession no doubt reflected the fact that payments were delayed. The cost of civil legal aid had increased by 88.3 per cent over the last two years, and would cost £103 million in 1982-83. He did not see how the addition of a further £80 million could be justified. This would give the signal that money was available in the current year for additional expenditure of a kind other than that already approved for capital spending or for projects which would yield definite economic benefits. A scheme costing less than £80 million in 1982-83 would lead to further expenditure in later years. A similar scheme would probably be required in Scotland, and this would generate extra expenditure. He was far from satisfied that there was effective control of costs in civil legal aid cases, and until there had been a significant improvement he did not think that the Government should concede the case for reducing the level of arrears in fees.

In discussion, it was generally accepted that there was a strong case in principle for reducing the burden on the profession represented by the present arrears of fees. This would be consistent with the Government's attitude towards other small businesses. But bringing forward the payment of £80 million in fees to members of a profession who were not publicly regarded as particularly hard pressed could be very damaging to negotiations in other areas, and in political terms, unless it were very carefully presented. There was a strong, if uninstructed public feeling that legal costs were altogether excessive and unreasonable, and no perception that lawyers were hard done by. If the financial burden of the arrears were to be removed from the profession, the professions should accept that there would have to be a thorough examination of the reasonableness of legal costs, and of the legal aid fees which would be reasonable for them to charge in the altered circumstances, and it would be right to expect early and substantial progress towards containing the present unacceptable rate of increase in the cost of civil legal aid as a whole. Going some way to meet a long-standing grievance of the profession would help to secure their further co-operation in the proposals for savings in the legal aid scheme which had already been put to them; but it was argued that, to make any change publicly defensible, definite improvements in the control of legal aid would have to be achieved and the reasonableness of legal costs (if they were reasonable) demonstrated by independent examination, before any concession on the arrears of fees was announced.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet accepted in principle the case for a phased reduction in the outstanding arrears of fees in civil cases owed to the legal profession by the Legal Aid Fund. This would, however, significantly improve the financial position of the profession, and before any announcement was made a procedure for examining legal costs and the fees charged by the profession should be agreed on. It was also desirable that there should be real improvements in containing the cost of civil legal aid as a whole in future. H Committee should now urgently consider how a review of legal costs and fees might be carried out, and what progress might be expected towards an improved control of costs of legal aid, with the object of reporting to the Cabinet by the middle of January. Subject to a satisfactory scheme being agreed, an addition of about £20 million to public expenditure in 1982-83 might be an acceptable cost for implementing the first stage of a system of interim payments. No commitment should be given to the profession until further consideration by H Committee and the Cabinet had been completed.

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The Cabinet -

Invited the Home Secretary to arrange for the Home and Social Affairs Committee to consider how a reduction in the arrears of outstanding fees for civil legal aid work might be linked with a review of legal costs and the fees charged for legal aid, and with progress towards improved control of the cost of civil legal aid, as indicated in the Prime Minister's summing up of their discussion, and to report the outcome to the Cabinet by the middle of January 1983.

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82) 42) and a memorandum by the Secretary of State for Trade (C(82) 44) about the future role of the Comptroller and Auditor General. Their discussion and the conclusions reached are recorded separately.

ROLE OF THE
COMPTROLLER
AND AUDITOR
GENERAL

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 1

CONTRACTING
OUT

7. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82)41) on using private enterprise in Government.

THE CHANCELLOR OF THE EXCHEQUER said that he had written in the summer to members of the Cabinet seeking reports on the progress of proposals which would enable tasks now carried on within the public sector to be contracted out to private enterprise. In the area of central government the possibilities should be pursued vigorously as part of the review of Civil Service manpower after 1984. In the area of local government he had agreed with the Secretary of State for the Environment that the right course for the present was to publicise the growing number of examples of successful contracting out by many local authorities and to urge others to follow suit. In the National Health Service the Secretary of State for Social Services had already started a contracting out campaign with pilot experiments. A provision would be included in the next Finance Bill to allow the Treasury to make an order refunding Value Added Tax to government Departments and the National Health Service on bought-in services where operations were contracted out. In the nationalised industries it would be for sponsoring Departments, in consultation with the Treasury, to press individual industries to contract out more of their operations. The work being done in connection with the Civil Service and Related Bodies (Redundancy Compensation) Bill had considerable implications for contracting out and the Treasury would ensure that the two exercises were co-ordinated.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet fully endorsed the Chancellor of the Exchequer's proposal for a major and co-ordinated drive to secure further contracting out in the public sector, on the basis outlined in his memorandum C(82) 41 and agreed that they would review progress, on the basis of a report by the Chancellor of the Exchequer, in consultation with other Ministers concerned, at the same time as they considered the outcome of the Civil Service manpower exercise.

The Cabinet -

1. Took note with approval of the Prime Minister's summing up of their discussion.
2. Approved the proposals in C(82) 41.

8. The Cabinet considered a memorandum by the Chief Secretary, Treasury (C(82) 40) about Civil Service manpower after 1984.

THE CHIEF SECRETARY, TREASURY said that the Government had set a target of reducing the size of the Civil Service to 630,000 by 1 April 1984. It was on course to achieve that target. It was now necessary to settle policy for later years. Present plans, as reflected in the 1982 Public Expenditure Survey, showed a continuing but slower rate of decline to 623,850 in April 1985 and 621,150 in April 1986. It would be desirable to improve on these figures. The policy of setting numerical targets, which the Government had adopted in 1980, had been successful. In essence, it should continue, but its detailed application should be modified: the targets for each Department should be based on a detailed assessment of its functions and their likely future development, and should be the basis of the overall target; there should be more flexibility so that, for example, short-term increases in manpower could be allowed if they offered satisfactory savings in the longer run; and manpower and expenditure should be considered together each year in the course of the Public Expenditure Survey. He proposed that there should be a review early in 1983 to establish new targets for each year from 1 April 1985 to 1 April 1988 inclusive. He would write to his colleagues in charge of Departments early in January about the detail of the assessments they were asked to make. He hoped that replies would reach him in the first half of March. After any necessary bilateral discussions he would report back to the Cabinet in May 1983 with proposals for new targets. The fact that such an exercise was being conducted was certain to become public. It, therefore, seemed desirable to make an early, low-key announcement that it was to be put in hand.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet welcomed the proposals in C(82) 40. The timetable suggested by the Chief Secretary, Treasury was, however, rather too demanding. If, as was desirable, the new targets were to be based on a thorough review of functions, Departmental Ministers would not all be able to give considered views by the first half of March 1983. A deadline of Easter for replies from Departmental Ministers seemed preferable. It was also essential that there should be some flexibility in the targets and a realistic allowance for contingencies: it would not be acceptable if Departments were regarded as committed to targets which depended on policy decisions whose timing, or even acceptability, could not be guaranteed. It was not necessary to make any public announcement of the proposed review, which should be presented as a routine piece of good management. It was important that, in discussion with staff interests or others, Ministers should emphasise the positive aspects of the review: the underlying aim was to improve efficiency and motivation and to match staff numbers more closely to Departmental functions. Some members of the Cabinet had expressed concern at the very large and growing volume of Parliamentary Questions and letters from Members of Parliament. The Lord Privy Seal should consider what might be done to draw the attention of Parliament and the public to the costs of the resulting work in Departments and its effects on efficiency and staff numbers, and what steps might be taken to counter these unwelcome trends.

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The Cabinet -

1. Approved the proposals in C(82) 40, subject to the points made by the Prime Minister in her summing up.
2. Invited the Lord Privy Seal to consider what might be done to draw the attention of Parliament and the public to the large and growing volume of Parliamentary Questions and letters from Members of Parliament, the costs of the resulting work in Departments and its effects on efficiency and staff numbers; and what steps might be taken to counter these unwelcome trends.

Cabinet Office

16 December 1982

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COPY NO 26

CABINET

LIMITED CIRCULATION ANNEX

CC(82) 53rd Conclusions, Minute 6

Thursday, 16 December 1982 at 9.30 am

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(82) 42) and a memorandum by the Secretary of State for Trade (C(82) 44) about the future role of the Comptroller and Auditor General (C&AG).

THE CHANCELLOR OF THE EXCHEQUER said that Mr Norman St John-Stevas MP, who had drawn second place in the ballot for Private Members' Bills, had given notice that he would promote a Bill (the Parliamentary Control of Expenditure (Reform) Bill) to give effect to most of the recommendations in the First Special Report of the Public Accounts Committee for the 1980-81 Session. The main principles of the Bill were that the appointment of the C&AG and his staff should not be in the Government's hands; and that the range of the audit should be to 'follow public money wherever it goes' - in particular, to include the nationalised industries and many public companies. Although these proposals were in many respects misguided, they commanded wide support in the House of Commons; and the Bill would probably gain a Second Reading even if the Government opposed it. With the Lord President of the Council, the Secretary of State for Industry and the Chief Secretary, Treasury he had held non-committal discussions with Mr St John-Stevas, Mr Edward du Cann MP and Mr Joel Barnett MP to see whether it would be possible to negotiate a specification for the Bill which would be sensible and workable and would minimise its adverse consequences. He suggested that, if such a specification could be negotiated, the Government should offer the services of Parliamentary Counsel to help with the drafting, working to agreed instructions. This would provide a much better chance of influencing the Bill, and ending up with a tolerable piece of legislation, than would be likely if the Government waited for the Bill to be presented in the form currently proposed by Mr St John-Stevas and then attempted piecemeal amendments against the mood of the House. There appeared to be reasonable prospects of reaching a settlement with Mr St John-Stevas and his associates on the status and appointment of the C&AG and his staff: the crucial point here was to ensure that the C&AG should not be subject to direction by the House of Commons or its Committees. An outline of a possible settlement, safeguarding this point, was in Annex A to C(82) 42. He also thought that there was a good prospect of limiting the scope of the C&AG's access to the books of bodies receiving public money: Mr St John-Stevas and his associates appeared not to have realised that their proposals would entail the possibility of scrutinising, and publishing information about, the affairs of a vast range and number of organisations and individuals, and seemed to be ready to limit their proposals to companies in which the

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ROLE OF THE
COMPTROLLER
AND AUDITOR
GENERAL

Previous
Reference:
CC(82) 52nd
Conclusions,
Minute 1

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Government had an interest of more than 50 per cent. The most difficult aspect was the nationalised industries. The Bill's promoters were determined to secure access for the C&AG and his staff to the books of the industries. This risked doing serious damage to commercial attitudes and motivation within the industries; it was a prime aim of Government policy to encourage those attitudes. But the question was not what was desirable in the abstract, but what was the least damaging solution that could be negotiated, given the Parliamentary situation. He suggested that he should attempt to negotiate a settlement on the basis that access to the books of nationalised industries would be through a separate branch of the C&AG's staff, manned by people with adequate qualifications and experience to understand the circumstances in which the industries operated; the Monopolies and Mergers Commission should cease to investigate the affairs of the industries except for monopoly inquiries as in the private sector. Secondly, studies in the nationalised industries should follow a systematic programme determined by the C&AG in consultation with the Government and the industries. Further details were set out in Annex B to C(82) 42.

In discussion, the following main points were made:

a. The proposals in the Parliamentary Control of Expenditure (Reform) Bill concerning the nationalised industries and Government-owned companies were dangerous and not well thought out. Their consequences both for the industries (who would be prompted to take 'safe' rather than commercial decisions) and for Departments (who would need a substantial increase in staff, if Ministers were to be as well informed as Parliament) had not been properly considered; nor had the consequences for the responsibilities of sponsoring Ministers. It would be difficult or impossible to reach a satisfactory compromise on such proposals; and it would be wrong, in effect, to concede defeat in advance by seeking to do so. Instead, the Government should without suggesting that it intended to try to block the Bill's progress, seek to impress the disadvantages and dangers of the proposals on the Bill's promoters and on wider Parliamentary opinion.

b. The Government should not offer assistance with the drafting of the Bill, even on points which might be the subject of a satisfactory accommodation with the Bill's promoters. Admittedly this course would run the risk that ill-drafted and unworkable legislation would reach the statute book; but such assistance would inevitably be regarded as indicating a degree of support, and would reduce the Government's ability to draw attention to the Bill's shortcomings.

c. It would be important to ensure that, if the Bill received Second Reading, the Committee which considered it contained members able to argue its shortcomings persuasively and in detail.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the proposals in C(82) 42 regarding the future appointment and status of the C&AG and his staff would be acceptable. It would be desirable to ensure that, as now seemed likely, the Bill's promoters would proceed on

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these lines. It was also welcome that the Bill's promoters seemed ready to reduce the extent of their proposals on the C&AG's access to the books of companies and others who received public funds. The Cabinet did not, however, regard the suggested accommodation with the Bill's promoters on access to the books of the nationalised industries as acceptable. Nor did they agree that the Government should offer drafting assistance with the Bill. The Chancellor of the Exchequer, in consultation with other Ministers as appropriate, should continue to negotiate with Mr St John-Stevas and his associates in an attempt to persuade them to modify their views. He should keep the Cabinet informed of progress. All members of the Cabinet should do their best to draw the defects and dangers of the Bill to the attention of the Government's supporters in Parliament, but it should not be suggested that the Government would try to block the progress of the Bill. The Cabinet would need to consider tactics towards the Bill at a later stage in the light of its progress before and during Committee.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Chancellor of the Exchequer, in consultation as necessary with other Ministers, to continue to negotiate with the promoters of the Parliamentary Control of Expenditure (Reform) Bill on the basis outlined in the Prime Minister's summing up, and to keep the Cabinet informed of progress.

Cabinet Office

17 December 1982