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(30) 30th
Conclusions

COPY NO 80

CABINET

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

THURSDAY 24 JULY 1980

at 9.30 am

PRESENT

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 Lord Carrington
Secretary of State for Foreign and
Commonwealth Affairs

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

The Rt Hon Sir Keith Joseph MP
Secretary of State for Industry

The Rt Hon Francis Pym MP
Secretary of State for Defence

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

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 Humphrey Atkins MP
Secretary of State for Northern Ireland

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services

The Rt Hon Norman St John-Stevas MP
Chancellor of the Duchy of Lancaster

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon David Howell MP
Secretary of State for Energy

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education and Science

The Rt Hon John Biffen MP
Chief Secretary, Treasury

The Rt Hon Angus Maude MP
Paymaster General

SECRET

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Norman Fowler MP
Minister of Transport

The Rt Hon Michael Jopling MP
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant (Items 2, 6 and 7)
Mr R L Wade-Gery (Items 4 and 5)
Mr D M Elliott (Items 4 and 5)
Mr W N Hyde (Items 1 - 3)
Mr D J L Moore (Items 6 and 7)
Mr L J Harris (Item 1)
Mr J M Lyon (Item 3)

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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.

Housing Bill

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that five amendments had been carried against the Government during the Report Stage of the Housing Bill in the House of Lords. Four reduced the scope of the provisions in the Bill giving tenants of council houses the right to buy them. The grant of such a right was a fundamental part of Government policy, and the amendments would have to be reversed when the Commons considered the Lords' amendments to the Bill. The fifth amendment was in a different category. It provided for the extension of the option mortgage scheme so as to give the equivalent of tax relief on interest payments on mortgages raised by elderly people to purchase annuities. This proposal had attracted considerable public and political support. He considered, after consultation with the Lord President of the Council, that it would be right to accept the Lords' amendment, even though the annual cost would be about £10 million, since this would increase the chances of persuading the House of Lords to accept the proposed reversal of the other four amendments.

Previous

Reference:

(80) 29th

Conclusions,

Page 1

Option Mortgages

Purchase of

Annuities

Previous

Reference:

(80) 18th

Conclusions,

Page 1

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the four amendments limiting the right to buy should be reversed when the Housing Bill returned to the House of Commons. The Lord President and the Lord Chancellor would seek to ensure that Government backbenchers in the House of Lords did not support any attempt in the Lords to reinstate the amendments. The Cabinet also agreed that the amendment on tax relief on interest payments should be allowed to stand, provided that the additional cost was met within existing public expenditure allocations.

The Cabinet -

1. Invited the Secretary of State for the Environment to table appropriate amendments in the House of Commons to reverse the effect of the Government defeats in the House of Lords on the provisions of the Housing Bill dealing with the right of council tenants to buy their houses.
2. Agreed to accept the amendment passed in the House of Lords making option mortgages available to elderly people wishing to mortgage their existing houses to purchase an annuity.

3. Invited the Chief Secretary, Treasury, in consultation with the Secretary of State for the Environment and the Secretary of State for Social Services, to consider how the relevant cost could be met within existing public expenditure allocations.

Health Services

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that the House of Lords had passed, against Government advice, an amendment to the Health Services Bill sponsored by Lady Masham providing for doctors to be reimbursed for payments made to their wives for assistance given in running their practices. After discussion with Lady Masham he proposed when the Bill returned to the Commons to substitute for this amendment one which would enable him to make regulations providing for reimbursement in appropriate circumstances.

The Cabinet -

4. Took note.

of Settlement

THE HOME SECRETARY said that Mr Norman Hogg had put down a motion under the Ten-Minute Rule procedure for discussion on 29 July in which he sought leave to bring in a Bill repealing those provisions of the Act of Settlement which disqualified the heir apparent from succession to the throne if he married a Roman Catholic. Since this Bill affected The Queen's exercise of the prerogative, the Speaker had told Mr Hogg that he would not be allowed to move the motion unless her consent was first signified. Mr Hogg had approached him with a request to obtain The Queen's consent. For the Government to recommend The Queen to refuse consent would involve Her Majesty (as well as the Government) in political controversy. In his view the Government should recommend The Queen to give consent. There could be no doubt that a constitutional change of the magnitude proposed by Mr Hogg ought only to be considered on the basis of Government proposals following the widest consultation both within the United Kingdom and with other Commonwealth governments; it was a totally inappropriate subject for a Private Member's Bill. The Government must ensure that the motion was soundly defeated. The argument should, so far as possible be confined to the procedural issue and not extended to the merits of the proposal, but there could be serious political repercussions, particularly in Northern Ireland, if the Government were not seen to oppose the motion. In his view all Ministers should vote against it.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he fully agreed that a Ten-Minute Rule Bill was an unsuitable vehicle for a constitutional change of this magnitude and that Mr Hogg's motion should be defeated. The language of the relevant provision of the Act of Settlement was, however, deeply offensive to Roman Catholics. He would not vote for the motion, but would find it difficult in conscience to vote against it. He was therefore minded, after full consideration, to abstain in any division.

In discussion, it was argued that Mr Hogg was primarily concerned to obtain publicity. There was general agreement that his motion could and should be opposed because it was inappropriate to seek to raise a major constitutional issue in this way. If that were the focus of the argument, there was no reason why Roman Catholic members should not be able to vote against the motion with a clear conscience. If any member of the Cabinet were to abstain on grounds of conscience it would inevitably focus attention on the merits of Mr Hogg's proposal, and would embarrass other Ministers who shared the views of the Chancellor of the Duchy of Lancaster on the relevant provisions of the Act of Settlement but who were willing to vote against the motion. A complete and united vote by the members of the Cabinet would be important, not just as a manifestation of collective responsibility but also because the mere fact of signifying The Queen's consent would be bound to have an adverse reception among some sections of Northern Ireland opinion, and it was essential that no impression should be given in the Province of an equivocal position on the part of the Cabinet.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Home Secretary should recommend The Queen that her consent should be signified. In the unusual circumstances of the case it would be appropriate for the announcement of this to be expressed in terms to the effect that, if the House of Commons were to give leave for the introduction of the Bill, she would not withhold consent to its introduction. It was essential that Mr Hogg's motion should in fact be defeated by a substantial majority. The motion raised major issues about the way in which constitutional changes should be considered and since, in her view, its defeat was a matter of policy which engaged the collective responsibility of the Cabinet, all members of the Cabinet and indeed of the Government would be expected to vote against it. She would be placed in an intolerable position in relation to the advice given to The Queen if any members of the Cabinet were to abstain. The Cabinet trusted that the Chancellor of the Duchy of Lancaster would reconsider his position in the light of the discussion. The Chief Whip should ensure that the motion was opposed, that all members of the Government and their Parliamentary Private Secretaries voted against it, and that all the Government supporters in the House of Commons were made fully aware of the reasons for the Government decision.

The Cabinet -

5. Took note, with approval, of the Prime Minister's summing up of the discussion.

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that he and the Lord President of the Council proposed that both Houses of Parliament should rise for the summer Recess on 8 August. The House of Lords would reassemble on 6 October, immediately after the Labour Party Conference. Its main business would then be consideration of the Local Government, Planning and Land (No 2) Bill, which should complete all stages in that House during October. The House of Commons would not reassemble until 27 October. Because of the time needed to consider Lords' amendments to the Local Government, Planning and Land (No 2) and other Bills, the State Opening of the next Session could not be until 11 November, with 13 November being held in reserve against any unforeseen delays in completing the Government's legislative programme.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed to the timetable outlined by the Chancellor of the Duchy of Lancaster. They noted that it could be adhered to only if Government amendments to the Local Government, Planning and Land (No 2) Bill were kept to a minimum. The Secretary of State for the Environment should not table such amendments without prior consultation with the Lord President of the Council and the Lord Chancellor.

The Cabinet -

6. Noted that both Houses would rise on 8 August, that the House of Lords would reassemble on 6 October, and the House of Commons on 27 October, and that the State Opening of the next Session was likely to be on 11 November.
7. Invited the Chancellor of the Duchy of Lancaster to announce the dates of the summer Recess of the House of Commons in his business statement that afternoon.
8. Invited the Secretary of State for the Environment to consult the Lord President of the Council and the Lord Chancellor before tabling further amendments to the Local Government, Planning and Land (No 2) Bill.

PENSIONS
ALLOWANCES
MEMBERS OF
PARLIAMENT:
HOUSE OF THE
COMMONS

2. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C(80) 47) about the pay, pensions and allowances of Members of Parliament.

The Cabinet's discussion and the conclusions reached are recorded separately.

Previous
reference:
C(80) 29th
conclusions,
page 1

HOUSE OF
COMMONS
PROCEDURE

3. The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C(80) 46) proposing a debate before the summer Recess on the outstanding recommendations of the first report from the Select Committee on Procedure (the Procedure Committee) Session 1977-78. They also resumed consideration of his memorandum (C(80) 41) proposing how the Government should respond to these recommendations.

Previous
reference:
C(80) 29th
conclusions,
page 5

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that the Cabinet had decided at their last meeting that a debate on the outstanding recommendations of the Procedure Committee's report should not be held before the summer Recess. He had come under heavy pressure at business questions on 17 July to reconsider that decision. The Opposition, who earlier seemed to be against having a debate before the Recess, had now asked for one before it, with votes on particular resolutions during the Parliamentary spill-over in October. The Government were committed by their manifesto to giving the House of Commons an early opportunity to decide on the recommendations of the report. Some decisions had already been made. He had given undertakings that the remaining recommendations would be debated before the Recess. He considered that such a debate was now unavoidable, and that the House should be given an opportunity to decide on the outstanding recommendations. In considering them he had sought in all cases to protect the ability of the Government to handle their business efficiently and expeditiously. At the same time his extensive discussions had made it clear that there was a strong body of opinion on all sides of the House in support of implementing at least the majority of the Procedure Committee's recommendations. His detailed proposals were set out in his memorandum (C(80) 41) and its annexes. These covered the recommendations on European Community legislation, financial control, public Bill Committees and subordinate legislation. On European Community legislation, he proposed a declaratory resolution on the holding of debates on European documents. This would preserve the present and essential negotiating flexibility of Ministers to approve

legislation without prior debate in exceptional circumstances. He proposed also to accept with modifications the recommendation that Standing Committees on European Community legislation should be able to consider substantive motions. This would reactivate the Standing Committees which had become moribund because of the unsatisfactory nature of their debates. It might lead to the Scrutiny Committee recommending a few more European documents for debate than at present, but this would be outweighed by the advantage of not having to take all such documents on the floor of the House. The Government would retain the power to decide which motions should go upstairs and which should be taken on the floor of the House. In order to minimise the risks of the Government being defeated in the Standing Committees, only relatively non-controversial motions would be sent upstairs; and the Government would be able to reintroduce on the floor of the House motions lost in Standing Committee, and thus to reverse a Standing Committee decision which went against the Government. He had secured in correspondence the agreement of colleagues to these recommendations, subject to them being confirmed in Cabinet. On financial matters, he proposed with the agreement of the Chancellor of the Exchequer, the establishment next Session of a new Procedure Committee limited to examining the present procedures for considering and voting on supply. This major step would subsume the Procedure Committee's more limited recommendations on financial control. The present control of supply was unsatisfactory and there was a good deal of justifiable pressure for better procedures. On public Bills, the Procedure Committee had recommended that when Bills were referred to a Standing Committee there should first be three Select Committee type Sessions during which the Committee would take evidence from Ministers, Government officials and outside interests on the background to and the effects of the Bill. This proposal had widespread all-Party support in the House of Commons; over 140 members had signed an early day motion in its favour. In response he proposed no more than a limited experiment with up to three Bills next Session selected by the Government for the new procedure, with a time limit within which the Select Committee type Sessions would have to be concluded. It might be appropriate for these Sessions to be chaired by the Chairman of the Select Committee for the Department sponsoring the Bill. His proposal would allow the Government to retain control of the experiment and would provide another way of dealing with relatively uncontroversial Bills. He believed that such a procedure could be limited to a small number of Bills in later Sessions. On the other hand, if the Government was not prepared to go this far, it was unlikely that it could secure a majority to prevent the introduction of procedures which would seriously affect the Government's handling of its programme, including perhaps the institution of pre-legislation committees for the examination of all Bills. On subordinate legislation, he proposed accepting with modifications

the Procedure Committee's recommendations that the Standing Committees on Statutory Instruments should be able to consider substantive motions. Taken together his proposals represented the minimum that he judged would persuade the House of Commons not to introduce more far reaching amendments to their procedures.

In discussion, it was argued that taken together the proposals would unreasonably increase the burdens both on Ministers and their officials and on backbench supporters. The implementation of the Procedure Committee's recommendations on Select Committees had already created serious difficulties in maintaining membership and attendance of Government backbenchers on some Committees. On some Wednesday mornings as many as 12 Select Committees were now in session. The additional proposals would make matters worse, especially since the Government would need to command a majority in Standing Committees. On the other hand, it was argued that the main burden arose not with Select Committees but with Standing Committees on Bills. The only effective way to reduce this load was to introduce less legislation. The Chancellor of the Duchy's proposals would not add significantly to the burden, and would certainly be less onerous than if, as seemed the most likely, alternative more extensive changes were made against the Government's wishes.

In detailed discussion of the proposals for public Bills, it was argued that the Procedure Committee's recommendations represented an unsatisfactory and impractical compromise. Pre-legislation Committees which would at least be able to give a proper and full examination to the Bills had something to commend them, particularly if their introduction could be linked with an acceptance that timetable motions could generally be applied to the later stages of Bills. Three sessions would be too short for the adequate examination of most Bills. Moreover, a limited Select Committee type stage such as had been proposed confused the distinct roles of an investigative Select Committee and the clause by clause examination of a Standing Committee. This confusion would create considerable practical difficulties. It would either require a different Chairman for each stage (and the Chairman of the relevant Select Committee might not always be acceptable for this task) or it would put the Chairman in a very difficult position in maintaining his traditional impartiality in chairing a Standing Committee. It would also mean that a Minister responsible for the Bill was likely to be both a member of the Standing Committee and summoned to it to give evidence during the Select Committee stage. While the procedure would start as an experiment, it would soon become established and there would be considerable pressure and expectation that it would be extended to many other Government Bills: some Opposition supporters of the proposal were already talking in these terms. There would be serious problems in applying the procedure to Bills which had

already been approved by the House of Lords. The new procedure would delay those Bills to which it applied by as much as three weeks, and would tend to increase rather than reduce the length of a Standing Committee's consideration of a Bill: rather than avoiding probing amendments in Committee it would provide a rich source of material for opponents of the Bill.

On the other hand, it was argued that the consultations undertaken by the Chancellor of the Duchy of Lancaster had shown that the Government was likely to be defeated if a limited experiment on public Bills were not proposed. It was in the nature of the experiment that some of its procedures were uncertain and its success could not be assured. It was possible however that it would assist the later stages of a Bill, and it would improve the House's scrutiny of it. If the experiment were to be introduced, the Government would need to make clear the dangers to the future of the present Parliamentary system if members continued to seek to impose a congressional system of Select Committees on the essentially cameral system of Parliament.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet were reluctant to accept proposals which were likely to impose extra burdens on members and to reduce the Government's ability to secure its business. Nevertheless, they accepted that it would be necessary for the Government to take some limited initiative on procedural matters in order to prevent more extensive changes being carried by the House. The Cabinet agreed to accept the Chancellor of the Duchy of Lancaster's proposals for a declaratory resolution on debates on European Community documents, for enabling substantive motions on European documents to be debated in Standing Committees, and for a new Procedure Committee to be established next Session to examine supply. They also agreed, though with considerable misgivings, to an experiment next Session which would allow up to three Government Bills to be considered by a Standing Committee in three Select Committee-type sessions within a limited period. The Cabinet agreed not to support the Procedure Committee's proposals for substantive debates on subordinate legislation in ~~Select~~ Committees on Statutory Instruments. The Chancellor of the Duchy of Lancaster should accordingly announce that a debate would be held before the summer Recess and that the House would be given the opportunity to reach decisions in the light of Government proposals.

The Cabinet -

1. Agreed that there should be a further debate on procedural matters in the House of Commons before the summer Recess.

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2. Agreed to the proposals in the Chancellor of the Duchy of Lancaster's memorandum (C(80) 41) that there should be a declaratory resolution on debates on European Community documents; that appropriate resolutions should be tabled to allow substantive debate on European Community documents in Standing Committees; that there should be a limited experiment next Session for a Select Committee-type stage before Committee Stage proper for up to three Government Bills; and that the Government should welcome the establishment next Session of a Procedure Committee to consider procedures for supply.

3. Invited the Chancellor of the Duchy of Lancaster, in consultation with the Chief Whip, to make appropriate arrangements for the debate and the tabling of the necessary motions, and to take account of the points made in the Cabinet's discussion in speaking during the debate.

FOREIGN
AFFAIRS

New Hebrides

Previous

Reference:

(80) 29th

Conclusions,

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4. THE FOREIGN AND COMMONWEALTH SECRETARY said that British and French troops had earlier that morning mounted a successful operation to restore legal rule in the island of Santo. There had been no resistance and no casualties. The New Hebrides could now be brought to independence on 30 July as planned, and the Independence Ceremony would be attended by a representative of The Queen. The detachment of the Royal Marines would be brought home as soon as possible. If the New Hebrides Government required further military support, this might perhaps be provided by Papua New Guinea.

Zimbabwe

Previous

Reference:

(80) 29th

Conclusions,

Page 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the Prime Minister of Zimbabwe, Mr Mugabe, appeared to have concluded that it would not be possible to find a suitable successor to General Walls from inside the country. He was at present thinking in terms of appointing a General from another Commonwealth country. In the end he might well ask for a British General. If he did, it would not be in Britain's overall interest to refuse to help him. There were suitable British Generals on the retired list and it should be possible to persuade one of them to accept the appointment.

The Cabinet -

Took note.

COMMUNITY
AFFAIRS

Previous

Reference:

(80) 29th

Conclusions,

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5. THE FOREIGN AND COMMONWEALTH SECRETARY said that the Council of Ministers (Foreign Affairs) meeting on 22 July had reached agreement upon a satisfactory formula for the automatic extension of the amended Financial Mechanism to 1982 if still required. There had been no substantive discussion of the Article 235 Regulation governing supplementary Community expenditure in the United Kingdom, but the Council had accepted that work should proceed with a view to a decision in principle in September. The Council had agreed on the principle of pre-accession aid to Portugal, and the Portuguese were subsequently informed of the Community's willingness to grant them aid. The amount of aid was to be settled after the summer break; there would be pressure for a decision at the 15 September Foreign Affairs Council, which would fall only a week before the Portuguese Parliamentary election, but there was no commitment.

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that discussion at the 21 July Fisheries Council of Commission proposals on 1980 quotas, conservation measures and access had been inconclusive, though the atmosphere was good and there had been considerable support for British views on a 12 mile exclusive zone.

A more substantive discussion on conservation would take place at the 29 September Council. On quotas, the British fishing industry were pressing for a 45 per cent share of the Community catch, although over the last 10 years they had never caught more than 28 per cent of the total. It should none the less be possible to get satisfactory quota shares for the key species eg cod, herring and mackerel.

At the 22 July Agriculture Council, all but two member states had been prepared to accept that the negotiations with New Zealand for a voluntary restraint agreement on sheepmeat should be concluded on the basis of a reduction in the Community's tariff from 20 per cent to 10 per cent; the United Kingdom had argued for 8 per cent and France for 15 per cent. Through this and other reservations the French were clearly aiming to delay the introduction of the new sheepmeat regime until after their Presidential elections, relying meanwhile on their illegal controls on imports. The Council nevertheless agree that the negotiations with New Zealand and other suppliers should be concluded in September, so that both the internal and external regimes might come into force on 1 October. This delay was damaging to our sheep farmers, but it would not be possible to introduce deficiency payments unilaterally in advance of the Community funded regime without additional public expenditure.

The Cabinet -

Took note.

6. The Cabinet considered a memorandum by the Lord President of the Council (C(80) 43) on reductions in Civil Service manpower.

The Cabinet's discussion and the conclusions reached are recorded separately.

CIVIL SERVICE
EFFICIENCY
MANPOWER

Enclosure:
(1) 18th
Decisions,
p. 4

7. The Cabinet considered a memorandum by the Chief Secretary, Treasury (C(80) 44) on local authority expenditure in 1981-82, and a memorandum by the Secretary of State for Education and Science (C(80) 45) on expenditure on education in 1981-82.

THE CHIEF SECRETARY, TREASURY, said that he recommended that the Government should announce before the summer Recess that the provision for the total of local authority current expenditure in England and Wales and in Scotland in 1981-82 should be 2 per cent below the corresponding planned totals for 1980-81. This reduction was in line with the assumption in the last Public Expenditure White Paper (Cmnd 7841). It was necessary to announce the total now in order to influence the local authorities in the planning of their budgets for the year. The Government also had to agree on its proposals for the allocation of the planned total among the various local authority services, in preparation for more detailed work on the Rate Support Grant. He had listed in the Annexes to his memorandum his proposals for local authority current and capital expenditure for each of the services in England and Wales. He had also proposed a reduction of £65 million in the provision for housing in England next year. His discussions had identified two problems. First, it looked as though current expenditure on local environmental services in England could be about £80 million too high in 1981-82. It would be very difficult to find acceptable offsetting savings to this from other services, but it might well be that the excess would be cut back following the review of overspending in the present year. The position could be reviewed in September. Secondly, he had proposed savings of £87 million on education, equivalent to net savings of a further £50 million after offsetting the loss of savings of £37 million on school transport. The Secretary of State for Education and Science was willing to find savings of £20-£25 million, leaving a gap of about £60 million. The Chief Secretary, Treasury, recommended that this should be found from the schools programme by concentrating resources on the 'basic skills' to which the Manifesto had referred.

THE SECRETARY OF STATE FOR THE ENVIRONMENT confirmed that he would find savings of £65 million from his programmes in 1981-82. Insofar as the savings were made on the housing programme he would prefer the weight to fall on current rather than capital expenditure. This could mean that the Government's guidelines would have to provide for increases in rents some 20 to 25 per cent higher than those previously agreed.

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that if there were further cuts of £87 million in the schools programme it would be impossible for the Government to honour the commitment made in The Queen's Speech, and repeated subsequently, to maintain and improve the quality of education. The education programme had already been cut substantially in real terms, and he was willing to find savings of £20-£25 million, mainly from higher

education programmes and from local authority capital expenditure. Any further reductions on the schools programme would lead inescapably to the conclusion that the Government was deliberately planning to lower standards of education. It would be particularly unfair to these local authorities which had already made painful savings in order to keep within their budgets. He did not accept that a distinction could be drawn between "basic skills" and other aspects of the quality of education.

In discussion it was argued that unless the proposed cuts on the education services were made it would be impossible to make the required total savings on local authority current expenditure. A reduction of £60 million on total schools expenditure of about £3,900 million was only 1.6 per cent. A significant part of this expenditure was not on teaching - nearly two-fifths of those employed in schools were non-teaching staff - and it should be possible to find savings which did not reduce the quality of education. It was reasonable to look for savings at a time when pupil numbers were falling. It was a mistake to give too much weight to the views of pressure groups which had an interest in arguing that standards were falling.

On the other hand the Government were deeply committed to the pledge to maintain and improve the quality of education. Substantial cuts had been made already. At a time of high unemployment more children would be staying at school or going into further education. Further reductions would be defensible only if they could be concentrated on those authorities which had been overspending. This might be possible under the new Block Grant system which would be introduced in 1981-82.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet approved the proposals made by the Chief Secretary, Treasury, other than those on the education programme in 1981-82 in England where they had not yet reached agreement. The Chief Secretary, Treasury and the Secretary of State for Education and Science should discuss further, with the other Ministers directly concerned, the possibilities for finding substantial further savings on this programme. They should look in particular at the possibilities for savings on expenditure on polytechnics. They should report on the outcome in time for an announcement on local authority expenditure in 1981-82 to be made before the summer Recess.

The Cabinet -

1. Approved the recommendations in paragraph 13 i, ii, iv, and v of C(80) 44.

2. Invited the Chief Secretary, Treasury, to discuss further with the Secretaries of State for Education and Science, the Environment, Scotland and Wales, his proposals for savings on the education programme in 1981-82, and to report.

LIMITED CIRCULATION ANNEX

FOURTH SPT Conclusions, Annex 7

Thursday 24 July 1980 at 9.30 am

Cabinet Office

24 July 1980

The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (CDS) 477 about the pay, pensions and allowances of Members of Parliament (MPs).

The Chancellor of the Duchy of Lancaster said that the House of Commons had accepted the Government's recommendation that the increase in Parliamentary pay this year should be limited to 9.5 per cent. They had also, however, passed four main amendments to the Motion against the Government's advice. If implemented these would provide for the pensions of MPs to be based on the £13,750 annual salary recommended by the Top Salaries Review Body (TSRB) as the appropriate rate from 1 July 1980; for MP's pay to be linked to the specified grade in the public sector; for the rate of interest on pension entitlement of MPs to be increased from one per cent to one and a half per cent; and for the secretarial allowance for MPs to be increased to £6,000 in a full year. In his view the Government had MPs' choice not to accept the terms of the House of Commons' Motion either for immediate implementation on the principle where further details needed to be worked out. Although regretting the conditions imposed on the Government by the House of Commons when the headline price to be paid for increases in reducing the immediate increases in MPs' pay from the 14.5 per cent recommended by the TSRB to the 9.5 per cent now accepted by the House,

In general discussion serious dispute was expressed about the advice of those Members of the House of Commons, including members of the Executive of the 1972 Committee, who had voted against the Government's advice. Although the Chairman of the 1972 Committee had argued that the amendment relating to pensions at the rate of pay recommended by the TSRB was a necessary price which had to be paid for

CABINET

LIMITED CIRCULATION ANNEX

CC(80) 30th Conclusions, Minute 2

Thursday 24 July 1980 at 9.30 am

PAY, PENSIONS AND
ALLOWANCES OF
MEMBERS OF
PARLIAMENT:
NEWS OF THE
HOUSE OF
COMMONS

Previous
reference:
C(80) 29th
conclusions,
Minute 1

The Cabinet considered a memorandum by the Chancellor of the Duchy of Lancaster (C(80) 47) about the pay, pensions and allowances of Members of Parliament (MPs).

THE CHANCELLOR OF THE DUCHY OF LANCASTER said that in the Debate on 21 July on the Government's Motion to increase Parliamentary pay and allowances the House of Commons had accepted the Government's recommendation that the increase in Parliamentary pay this year should be limited to 9.6 per cent. They had also, however, passed four main amendments to the Motion against the Government's advice. If implemented these would provide for the pensions of MPs to be based on the £13,750 annual salary recommended by the Top Salaries Review Body (TSRB) as the appropriate rate from 13 June 1980; for MPs' pay to be linked to "a specified grade in the public service"; for the rate of accrual of pension entitlement of MPs to be increased from one-sixtieth to one-fortieth of pensionable salary for each year's service; and for the Secretarial Allowance for MPs to be increased to £8,000 in a full year. In his view the Government had little choice but to accept the terms of the House of Commons' Motion either for immediate implementation or in principle where further details needed to be worked out. Although regrettable, the conditions forced on the Government by the House of Commons were the inevitable price to be paid for success in reducing the immediate increase in MPs' pay from the 14.6 per cent recommended by the TSRB to the 9.6 per cent now accepted by the House.

In general discussion serious disquiet was expressed about the action of those Members of the House of Commons, including members of the Executive of the 1922 Committee, who had voted against the Government's advice. Although the Chairman of the 1922 Committee had argued that the amendment relating MPs' pensions to the rates of pay recommended by the TSRB was a necessary price which had to be paid for

the support of Members of the Opposition for the 9.6 per cent pay increase, it was the case that the amendments carried raised the total remuneration of MPs well above the levels recommended by the TSRB. The House of Commons had behaved irresponsibly in this matter and was open to the charge of abusing its unique privilege of being able to establish its own terms and conditions of employment.

In discussion of the particular proposals the following main points were made:-

MPs Pensions

- a. If MPs' pensions were to be based on the full TSRB recommended rates rather than the lower figures the Government had recommended, the Government could not in equity treat more harshly the senior public servants covered or affected by the TSRB's 14th Report. It would be possible to justify not extending the same treatment to them only if MPs were required to pay for the additional pension entitlement resulting from calculation from 'notional' salaries by means of higher pension contributions.
- b. A change to a one-fortieth instead of a one-sixtieth basis of accrual for MPs' pension rights could have very wide, and expensive, repercussions on pensions arrangements throughout the public services. If the concession were to be made steps would need to be taken to draw a very clear distinction between the Parliamentary scheme and other public service pension schemes. The most obvious way of doing this would be to require MPs to contribute the whole cost of the improved pensions for which they had voted, even though this meant that the required contribution from MPs would be likely to exceed the 15 per cent limit on pension contributions eligible for tax relief under Inland Revenue rules.
- c. A simple move from a one-sixtieth to a one-fortieth accrual rate would penalise those MPs who were buying additional years of pension entitlement under the existing scheme.
- d. The best course would be to refuse to implement the improved accrual rate for which MPs had voted. If this were judged to be impossible, the next best course might be to offer MPs a choice, on an individual basis, between continuing with the present scheme and an improved scheme, based on fortieths, the whole of whose extra cost would be met by the individual MPs' own contributions.

Linkage"

e. The vote in favour of linking MPs' pay to that of a "specified grade in the public service" left a great many questions unanswered. The Government would need a clearer idea of the implications and of its own position before it could enter into discussions with representatives of opinion in the House. It would be for consideration later whether such consultations should be confined to the Government's own supporters or should extend to the other Parties in the House.

Secretarial Allowance

f. Although the Commons' vote that secretarial allowances should be increased to the full level recommended by the TSRB was deplorable, the Government had little choice but to accept it.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet deplored the action of Members of the House of Commons in voting themselves substantial increases in pensions and allowances which more than offset the savings made by acceptance of the Government's recommendations for a smaller pay increase. It might well be that the Government would have to expose publicly the full financial implications of MPs' actions. Although such a step might exacerbate relationships in the House, it could well strike a responsive chord in the country. The Cabinet could not come to final decisions on these matters on the basis of the information before them. The Secretary of the Cabinet should therefore arrange for officials urgently to prepare a note setting out the financial implications of the Motion which had been carried in the House of Commons, both directly and by implication for other public service employees. This examination should include assessments of the extra pension contributions which would be required from MPs if those who chose to take advantage of the improved arrangements were required to meet the whole of the extra cost. Officials should also explore the technical problems of linking MPs' pay in any appropriate way to that of public servants. A report should be available in time for Cabinet to resume its discussion of these matters at its meeting in the following week. Meanwhile the Chancellor of the Duchy of Lancaster could not, as he had proposed, make a statement to the House later in the day on the Government's reaction to the Motions which had been passed. If pressed he should say no more than that the Government needed time to consider what had happened and promise an early statement without specifying when it would be made.

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The Cabinet -

1. Took note, with approval, of the summing up of their discussion by the Prime Minister.
2. Instructed the Secretary of the Cabinet to arrange for officials to examine urgently, and report on, the matters indicated in the Prime Minister's summing up.
3. Invited the Chancellor of the Duchy of Lancaster to reply to Questions in the House of Commons on the lines indicated in the Prime Minister's summing up.
4. Agreed to resume their discussion at an early meeting.

Cabinet Office

25 July 1980

In discussion the following points were made:-

4. The choice of April 1980, rather than April 1979, as the baseline, penalised those Departments which had made substantial staff savings in 1979-80. They were willing to make the savings of 15.3 per cent from April 1979 which were necessary to reach the April 1980 target. If however they were now required to save 10 per cent from April 1980 their savings over the five years from 1979-84 would be higher than 15.3 per cent. Staff in such Departments could reasonably complain that they were being treated unfairly by comparison with those in Departments which had been slower to make savings. On the other hand, staff savings in 1979-80 represented to some extent the cutting back of 4 creative numbers identified when the Government first took office, and it was therefore reasonable to take April 1980 as a baseline.

CABINET

LIMITED CIRCULATION ANNEX

CC(80) 30th Conclusions, Minute 6

Thursday 24 July 1980-at 9.30 amCIVIL SERVICE
EFFICIENCY
AND MANPOWER

The Cabinet considered a memorandum by the Lord President of the Council (C(80) 43) on reductions in Civil Service manpower.

Previous
Reference:
CC(80) 18th
Conclusions,
Minute 4

THE LORD PRESIDENT OF THE COUNCIL said that the Cabinet had agreed that Civil Service manpower should be reduced from 705,000 at April 1980 to 630,000 by April 1984. If the 630,000 were to include a contingency margin for 10,000 posts, which might be necessary to meet future unavoidable claims, the gross reduction required was 85,000. Of this, savings of 60,000 had been identified so far. He recommended that to achieve the savings in full the general aim should be for all Departments to make new savings by April 1984, in addition to the plans already announced, equal to not less than 10 per cent of their staff in post at 1 April 1980. Departures from this should be strictly confined to prison staff and other very exceptional cases. The proposals put forward so far suggested that numbers would not have fallen much below 690,000 by April 1982. It would not be credible to assume that all of the balance could be found in the following two years, and he proposed that the aim should be to reduce numbers to 675,000 by April 1982.

In discussion the following points were made:-

- a. The choice of April 1980, rather than April 1979, as the baseline, penalised those Departments which had made substantial staff savings in 1979-80. They were willing to make the savings of 15.3 per cent from April 1979 which were necessary to reach the April 1984 target. If however they were now required to save 10 per cent from April 1980 their savings over the five years from 1979-84 would be higher than 15.3 per cent. Staff in such Departments could reasonably complain that they were being treated unfairly by comparison with those in Departments which had been slower to make savings. On the other hand, staff savings in 1979-80 represented to some extent the cutting back of excessive numbers identified when the Government first took office, and it was therefore reasonable to take April 1980 as a baseline.

b. Although Departments would make staff savings as quickly as possible, in some cases the timing would depend on new legislation. This might make it difficult to meet the proposed intermediate target for April 1982. Departments should be allowed flexibility in phasing their savings.

c. The interaction between expenditure on staff and expenditure on other resources should be kept in mind. It might make sense to add to staff numbers where (as in the Department of Health and Social Security) that was required for the prevention of abuse and thus for the avoidance of unnecessary or unjustified expenditure. Equally there would be some cases in which staff savings could be achieved only if there were additional capital expenditure on, for example, computers and mechanisation. Staff savings which led to the employment of more expensive contract labour should be avoided.

d. The scrutinies undertaken under the aegis of Sir Derek Rayner, and letters sent to Sir Derek in the light of those scrutinies, suggested that the scope for improved efficiency in the Civil Service was a long way from being exhausted. Ministers in charge of Departments needed to keep up the drive for improved efficiency. It was desirable that the motivation and momentum for this drive should come from within the Civil Service, though Ministers need not exclude the possibility of calling upon the assistance of external advisers, such as Mr Leslie Chapman, if it seemed appropriate to do so.

THE PRIME MINISTER, summing up the discussion, said that the Government was firmly and publicly committed to reducing Civil Service numbers to 630,000 by April 1984. The Cabinet agreed to plan within this total for a contingency margin of 10,000 posts. The Government would be pressed to give firm indications of how this target was to be achieved. It was therefore essential that all Ministers should give the Lord President of the Council their full co-operation in finding their share of the savings. The Lord President of the Council should now discuss the plans for each Department in bilateral meetings. Departments should make proposals for new savings to bring numbers down to 675,000 by 1 April 1982 and to 630,000 (including a contingency reserve of 10,000) by 1 April 1984. In considering these proposals the Lord President of the Council should take account so far as he could of savings actually achieved in 1979-80. It was important to make as much progress as possible by April 1982, although the Cabinet recognised that in some cases savings could not be made in advance of new legislation.

CONFIDENTIAL

The Cabinet -

Invited the Lord President of the Council to agree with Departmental Ministers by 1 October plans for staff savings in each Department, and to report further to the Cabinet thereafter, making detailed proposals for reductions of Civil Service manpower to 675,000 by 1 April 1982 and to 630,000 (including a contingency margin of 10,000 posts) by 1 April 1984.

Cabinet Office

25 July 1980