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E(80) 40th Meeting

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CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MINUTES of a Meeting held at
10 Downing Street on
TUESDAY 18 NOVEMBER 1980 at 2.30 pm

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 Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

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

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

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

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 John Biffen MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales
(Item 2 only)

The Rt Hon Mark Carlisle QC MP
Secretary of State for Education and Science
(Item 2 only)

Earl of Mansfield
Minister of State
Scottish Office
(Item 2 only)

Mr Hugh Rossi MP
Minister of State
Northern Ireland Office

Mr J R Ibbs
Central Policy Review Staff

SECRETARIAT

Sir Robert Armstrong
Mr P Le Cheminant
Mr D J L Moore

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1. LOCAL AUTHORITY HOUSING: CAPITAL OVERSPEND 1980-81 (ENGLAND)

THE COMMITTEE considered a memorandum by the Secretary of State for the Environment (E(80) 130) on prospective overspending on the cash limit for local authority capital expenditure on housing in England in 1980-81.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that, when he had heard in October that local authorities might overspend by £180 million their cash limit of £2186 million for capital expenditure on housing, he had immediately issued a circular imposing a moratorium on the letting of new contracts and asking for a return of their committed expenditure. It was very difficult to judge the likely outturn: much would depend on the weather and the speed with which buildings were completed and bills submitted. If the moratorium were maintained in full for the rest of 1980-81 the cash limit would not be breached, but it might be substantially underspent. If it were now lifted for those authorities which were currently underspent in relation to their permitted levels, the maximum overspend (assuming a mild winter) would be about £90 million; it could well be less. In his judgement it was now right to take the risk of this breach of the cash limit. Continuing the moratorium was grossly unfair to those 250 authorities which were underspending, and also to the construction industry. Because of this the present moratorium was attracting increasingly hostile criticism in Parliament and in the press. He therefore proposed that he should maintain the moratorium on new spending by the 117 overspending authorities until the end of 1980-81 or until they could satisfy his Department that they would not overspend; and that he should allow the 250 underspending authorities to resume spending normally up to the limit of their permitted expenditure. He would then deduct from the 1981-82 allocations of the overspenders the amount of their overspending in 1980-81 and add to the 1981-82 allocations of the underspenders the amount by which they underspent in 1980-81. In authorising expenditure in 1981-82, and in fixing the cash limit, he would wish to take account of the 'tolerance' agreed with the Treasury for a carrying forward of underspent allocations of £56 million from 1979-80.

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THE CHIEF SECRETARY, TREASURY, said that, while he recognised that the present moratorium was unfair to the underspenders and added to the difficulties of the construction industry, he could not accept that it should be lifted now with the risk of breaking the cash limit by up to £90 million. In his view the right course was to continue the moratorium for at least another month and then to consider whether the likely outturn of the cash limit was such as to justify lifting it.

THE PRIME MINISTER, summing up a short discussion, said that the Committee agreed that, notwithstanding the political difficulties, the Government could not lift the moratorium until they were reasonably satisfied that the cash limit would not be breached. The Secretary of State for the Environment should make a further assessment of the likely outturn in time for the Committee to consider the question again in the week beginning 15 December. In the meantime the Secretary of State was authorised to say that the moratorium would be lifted as soon as he was satisfied that the cash limit would not be breached and to explain that the 1981-82 allocations to authorities would include deductions on accounts of overspending in 1980-81 and additions for underspending in 1980-81.

The Committee -

1. Agreed that the moratorium on new contracts for capital expenditure on housing by local authorities in England in 1980-81 should continue for the time being.

2. Invited the Secretary of State for the Environment

   a. to circulate a further assessment of the likely outturn for the 1980-81 cash limit on local authority capital expenditure on housing in England in time for discussion in the week beginning 15 December.

   b. To be guided, in announcing the Government's present decision, by the Prime Minister's summing up of their discussion.

2. INDUSTRIAL TRAINING

Previous Reference: E(80) 36th Meeting, Item 2

The Committee considered memoranda by the Secretary of State for Employment (E(80) 132) and by the Central Policy Review Staff (E(80) 133) on industrial training.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Committee had already endorsed the broad approach of retaining a limited number of Industrial Training Boards (ITBs), with the industries concerned rather than Government bearing the operating costs. The aim was to extend the area of reliance on voluntary arrangements and to keep statutory ITBs only in a few key sectors where they seemed essential to securing necessary reforms. He recommended that as a first step the Manpower Services Commission (MSC) should undertake a sector-by-sector review of the present 24 ITBs. It would then be for the Government to decide in the light of that review, which would be completed by June 1981, which ITBs were to be retained. He would make clear from the outset that where an ITB was retained the Government would require the industries concerned to meet the operating costs in full, although he would be willing to consider the timing of the transfer of the costs in the light of the MSC's review. The proposal to transfer the costs had been strongly criticised by the Confederation of British Industries (CBI), and he would discuss his proposals privately with them before making an announcement. Legislation would have to be introduced early in the new Session, probably shortly after the Christmas Recess, to provide for the proposed new arrangements for the ITBs. The Bill would need very careful presentation if it were not to be seen as an insensitive attack on training at a time of economic recession. He therefore had in mind that it should be accompanied by a short White Paper setting out the Government's overall policy, including related proposals on youth and education. In addition, the MSC wished to issue jointly with the Government a document setting out proposals for the development of vocational preparation for young people generally, the reform of apprenticeship and the widening of opportunities for adult training. He welcomed this initiative which was a useful way of engaging the unions' support for these changes. He further proposed that the interdepartmental Manpower Group under the Department of Employment should be instructed to bring together current work on improving links between training and education, including that on financial support for 16-18 year olds, and to report by the end of January. He proposed to make a statement during the Debate on the Address, announcing the Government's decisions on the future of the ITB system, outlining their approach to wider industrial training issues, and looking forward to the document to be published in collaboration with the MSC.

In discussion the following points were made -

a. The present ITB system, and the cumbersome arrangements for securing annual exemption from levies, were very unpopular with industry. This resentment would increase if they were now to bear the full burden of the administrative costs. If the proposal was to abolish most of the ITBs, it would be better to do so now rather than to let pressures build up from the educational and training lobbies while the MSC conducted their review. On the other hand it was necessary to have the review to demonstrate that the decisions on abolition and retention, which would be taken not by the MSC but by the Government, were soundly based and had been carefully thought out. There should be scope for reducing the running costs of those ITBs which were retained. Consideration could be given to reviewing levy exemptions less frequently than annually.

b. The most difficult of the legislative proposals was that giving remaining ITBs the option of requiring a contribution to operating costs from companies which would otherwise be exempt from levy because their own training programmes were adequate. The companies affected would undoubtedly object to this additional impost. On the other hand it would be very difficult to load all the operating costs at present met by the Government on to a limited group of companies. The Secretary of State for Employment would consider further the presentation of this provision.

c. There had been failure over the last twenty years or so to bring about fundamental improvements in training and to forge links between industrial training and vocational education. It was important to get it right this time, and the Committee would consider the longer-

term questions further in the light of the report which the interdepartmental Manpower Group would put forward in January. They would also consider further the case for a White Paper for publication soon after Christmas at the same time as the Bill. This would be too soon to deal comprehensively with all the longer term issues but it might be possible to give some useful indications of broad intentions.

THE PRIME MINISTER, summing up the discussion, said that the Committee approved the proposals put forward by the Secretary of State for Employment. They would wish to see a draft of the White Paper which might be published at the same time as the Bill on the ITBs before deciding whether it should go ahead. They noted that the Secretary of State for Employment had agreed to consider further the presentation of the proposal that remaining ITBs should be given the option of requiring a contribution to operating costs from establishments which would otherwise be exempt from levy.

The Committee -

1. Approved the proposals in paragraph 18 a., b., c. and f. of E(80) 132.

2. Invited the Secretary of State for Employment to arrange for the official interdepartmental Manpower Group, under the Department of Employment:

a. to consider the possible content of a White Paper which might be published at the same time as the Training Bill;

b. to bring together by the end of January current work on improving links between training and education, taking account of proposals for financial support for 16-18 year olds;

and to report.

Cabinet Office

19 November 1980