

(ROUGH)

BH

Vr

SECRET

SELSDON PARK WEEKEND

Saturday, 31st January 1970. Session, 9.15 p.m. to 11.15 p.m.

Notes taken during this session

	<u>Page</u>
<u>SF/70/8</u> , and addendum Family Allowances/Poverty	1
 <u>SP/70/13</u> Other Issues requiring policy decisions:	
1. Regional Policy	11
2. Steel	12
3. Savings	12
4. Fisheries	13
5. Equal Pay and Policy for Women	13
6. Health [taken in an earlier session]	
7. Reform of Local Government	14 to end.

I missed a good many of Sir Keith Joseph's interventions,  
and a good deal of Mr. Walker in earlier stages of the session.

Also tended to miss many of Mr. Heath's summing-up sentences.

E.M.A.

Conservative Research Department,  
24 Old Queen Street, S.W.1.

2nd February 1970  
/EMA



*A paper SA/30/8 had been circulated. Was the suggested proposal feasible and what was reaction to*

*There were many*  
Mr. Heath said we had 18 matters to settle in the next 1½ hours. Would start with family allowances. On the point that we shall do it through the tax system: (1) is this feasible; (2) the point that women will no longer get the allowance because the matter will be dealt with by reducing the man's tax liability.

*SA 46 tax credits*

*Report on* Mr. Cockfield. If matter handled in the way suggested in the paper - i.e. by giving the man a cheque to be cashed against his PAYE, then all right. *with* Cannot work it through the PAYE system as such. In effect the proposal is that if the man is entitled to family allowance, he has a form or book of vouchers to give to the employer, which is set off against his tax liability. ~~There~~ Would have to have some form of accounting for this, to make sure employer had paid over correct amount of tax plus correct amount of family allowance.

Id. Balniel. Glad to hear scheme is feasible. It really arises out of Barney Hayhoe's suggestion in his pamphlet "Must the Children Suffer?". Basically the trouble is that a lot of money is wasted in what is an expensive but unpopular form of assistance. From that point of view, it has its difficulty. Money going to people who do not need it. The real purpose is to eliminate child poverty, and the universal subsidy is not big enough to alleviate poverty where it exists. We put forward this suggestion as a way of ~~trying~~ tying it to the tax system.

Would like to raise the question of whether we can as a Party look at a rationalisation of the whole process of taxing people heavily, paying out subsidies in large amounts, and then clawing it back again. Family allowances are the classic example of this sort of procedure. Exactly the same thing happens with pensions and with many social service benefits. There are also in the tax system itself a great number of allowances which I would regard basically as social services. Mrs. Thatcher's proposed tax allowances for the ~~over-65's~~ over-65's is basically a kind of social subsidy or service. Special tax allowances for the blind, for children. So far the FIG has not had an overall look at the whole field of supplementary benefits, National Insurance, family allowances. Family allowances and housing the two classic fields of taxing people, subsidising and then clawing back, fields where we are not at the moment concentrating them on the families which are in need. We talk a great deal about concentrating help on such families. We will still need to give subsidies for slum clearance, building old people's houses. Logic inexorably leads ~~us~~ to bringing these subsidies into the tax system, and one day having a kind of reverse income tax. Could not we as a ~~socialist~~ Party have a look at the whole question of this transfer of money } - taxing people highly, paying out vast benefits indiscriminately, clawing it back again. Could we have a Group to study the matter? Only serious study is that of Friedman in the States. Barney Hayhoe's is the only political pamphlet on it in this country. Have got the IFA to write a pamphlet, but have my reservations about their logic, and it is written in an unpolitical way.



Mr. Heath. FPG has discussed this in great detail. Two aspects:  
(1) Mechanical. Can announce that the tax is so much ... ..  
do it in one transaction.  
(2) In the first instance, say that if you have such and such an  
income and family of such a size, no help. The only people  
who will get it are those with certain wage and certain number of  
children  
The second position is what is expected.

Mr. Rippon. The paper does refer to the objections coming from  
the people who object because money was paid to the mother, and  
say it is no good money going to the man. The money is meant to  
go to the children, and in the problem family it never does.  
Must devise some means of giving to the mother the right to claim,  
where it is felt proper that family allowances should be paid.  
Would have to apply for a book if income of family was below a  
certain level.

Mrs. Thatcher. Then if you take the book into the Post Office  
everyone knows you are below certain level. She herself does  
not collect family allowances, because no advantage to do so.  
Lady Jellicoe and Mrs. Hogg do collect the allowance.  
Mrs. Thatcher gets her tax relief after writing to Newcastle.  
She sees no hope of reducing the administrative cost. The  
allowance has to be decided by the Department, and has to be  
notified. Each year Newcastle have to write to check up on  
position - whether eldest child has left school, etc.  
Accounting through the employer will be just as complicated.  
She can see no saving ~~ne~~ administrative cost.

Mr. Godber. Not opposed to Id. Balniel's philosophy, but against  
the scheme proposed for different reasons. There is the danger  
that money would appear to be taken from the wife ... ..  
We are proposing (through our agricultural and VAT policies) to  
impose extra burdens on the housewife by putting up food prices;  
and to compensate by reductions in taxation - which affect the  
husband; and husbands may not give the extra money to the wife.

Mr. Barber. Assuming we gave family allowances only to those in  
need - bearing in mind they are liable to tax - what would the  
saving be?

Mr. Sewill. £200 to £250 million.

Id. Balniel. The families who are very poor need more family  
allowances than those at the breakeven point of tax - we are not  
achieving this at the moment.

Mr. Macleod. Absurd to go into details of administration now.  
We need no more than a small alteration to the existing sentences  
in the draft Manifesto. As long as we take the decision in  
principle that we will do this, it is hopeless choosing in  
opposition between three or four methods of administration.  
All we need is the decision en principe, Mr. Barber agreed.

Mr. Heath asked what one said when confronted on Panorama with a  
specific question on the subject. Mr. Macleod: answer must  
stick to the position in the draft Manifesto.



Mr. Maudling. We cannot claim this as additional saving in Government expenditure.

Mr. Macleod. No change in the total income of the families concerned. Referred to the sentence in para.1.

Sir Keith Joseph. But this is going to cost money. People with no allowances would pay less tax, and this would balance out.

Mr. Heath. You must be paying a lot of tax before you lose the allowance.

Sir Keith. Very little change. More money for those who really need it will mean greater expenditure. Referred to the figures given by CPAG. £15 a week gross, £13 a week net: these people probably need 30s. a child a week to bring them up to the supplementary benefit level. The complicated social problems here are intense. These people we are concerned about are in work. If you leave this sentence in the Manifesto as it stands, there will be at least a half to a million children who will need 30s. a week more, equals £75 million a year. Even if go only half way, would need £35 million a year.

Ld. Balniel. Delighted the scheme is administratively possible. Entirely agrees that one does not want to be specific in Manifesto about methods. The problem is that child poverty exists.

Figures are that there are now three-quarters of a million children living below supplementary benefit level. ~~XXXXXXXXXX~~ What are we going to do about it? All we can say is that the economy will get going, wages will go up, etc., etc. But the problem exists among those in work. Those out of work can get supplementary benefit; those in work cannot, and it is there that the poverty exists. Can we devise a system to help them?

Sir Keith. If VAT is going to have the effect we hope, surely we will have to increase family allowances.

Mr. Heath. ... figure used to be  $\frac{1}{2}$  million children, now up to  $\frac{1}{2}$  million ... ..

Mr. Macleod. We did in FFG have this point very much in mind, and have put aside £100 million for relief outside taxation, and therefore this point can be partly met. Possibly an alteration needed in the Manifesto: but the point has not been forgotten.

Sir Keith. (?) Deluded with words .... So long as we realise we have a problem.

Mr. Walker. Talked about family allowances and housing subsidies. ... .. £12 a week man, 4 children, council house, receiving substantial rent rebate and substantial family allowances - how possible is it to give him any incentive to earn more as subsidies disappear. ....

/ Sir Keith.



- 4 -

Sir Keith. ... 100 per cent surtax on the poor. ....  
Labour have utterly failed to deal with the problem. We have to go back to crude methods. Must wait for help from the Civil Service when in office. Cannot do any more until we have the Civil Service to help. Barney Hayhoe with all his skill ~~and knowledge~~ has not got the knowledge and statistics.

Mrs. Thatcher. You increase the number of the poor by the method you are using. Mr. Houghton was very anxious that he should not use a method of family allowances which would encourage people to go on having large families which they could not afford.

Mr. Hogg. Does not see people procreating just to get these small allowances.

Sir Keith. There are so many employments in which these people cannot, with the best will in the world, earn more; many are people who are working very hard.

Mr. Heath. The question of the lower paid workers. The real point about this paper is that we thought we saved £200-£250 mn., now find we are ~~expending~~ spending £100 million more. The real point seems to be those people who still get family allowances (part of which is taken back in tax, but part of which they keep) who cannot be said to be in need: can we save government expenditure on these people?

Mr. Barber. Thought this was always the implication behind what we said in "Make Life Better". But does not see the point of shifting the benefit from the wife to the husband.

Mrs. Thatcher. if make this shift, it ceases to be a family allowances. Views of Women voters.

Mr. Hayhoe. This is said in the last sentence: it remains a remarkable answer that there is no distinction between the reaction of men and of women on this. Two years ago, women got an increase in disposable income, and the men adjusted the amount given in housekeeping allowance. On Mrs. Thatcher's point about it not being worth taking the family allowances in certain tax situations, he said this applied only on surtax (not on income tax) and that one must be a long way up the scale before it applied.  
... .. 5s.4d. 6s.7d. ... ..  
As you go up the surtax scale, the figure cancels out.

Mr. Rippon. Wondered how many of the ~~women~~ mothers answering the poll questions thought they would be included among those to be deprived of allowances. Thought many would not really understand the question, and that most would imagine they were in need.

Mr. Walker. (? Question) does not mention the husband's tax.

Sir Keith. Lower marginal rate of income tax. As the tax package works, people will have incentive to earn more; and a year later this would be better for the country ... ..

Mr. Barber. One switches the system solely to give added advantage at the margin.

/ Mr. Heath.



Mr. Heath. Must change the system completely, not mechanically. If you want to make Joseph's point, must say family allowances will in future go only to people below such and such an income.

Mr. Godber. You are now bang on the target voter - the woman.

Sir Michael Fraser. The original idea behind family allowances in this form was that it was the most selective method at that unselective time; that you actually paid an allowance to the wife which she had entirely within her spending power, and depending on the financial situation of her husband he paid some back if in a position to do so. This was, he thought, 1945, and one of the last Acts of the Coalition. The thought then was that this was a more selective thing to do, both in work and out of work.

Mrs. Thatcher. Had re-read ~~this~~ the Debate on this recently. One of the reasons for the Act was that it was a method of paying the family more, which couldn't be done by wages.

Mr. Sewill. On the polls aspect: did ask three or four questions 18 months ago, which all came up with same answer - that majority of women thought it was a good idea to have the allowances means-tested. Ref. to para.6. Could tie whole thing in with the tax package. You could make it part of the reduction and simplification of the tax rates and allowances, and the fact that you would have the extra money going only to those in need would help you to compensate for some of the harshness of the other proposals. This would be a more accurate way of compensating for the tax package at lower cost.

Mr. Heath. That is to say, have a (?) tariff, those with so much money and so many children would get so much. ??If you do it with people who are not paying tax, have no means of ... it.

Mr. Cockfield. This would simply authorise the employer to pay a man money instead of the Post Office paying it. It is of course perfectly feasible administratively. Question is whether it alters anything at all other than the accounting. What you are doing is saying that you will give the man - either in his own pocket or through the employer - a book of vouchers which he gives to the employer and cashes them. Administratively, perfectly feasible. Whether it is desirable is a different matter altogether. If you want to save money - which is I gather the original objective - there is only one way to do it. Pay less to people in future. No other way of saving money. This really means that in the group of people who are at present receiving both a family allowance and a cash allowance, ~~they~~ will have to take one or the other away from them in whole or in part. If you want to take away the income tax allowances, the only feasible way of doing it is on ~~the~~ lines of the paper written for FIG which in effect said that the income tax allowances was to be (?) equated in amount with the cash allowance. And you then gave the man option of whether he took the cash allowance or the income tax allowance; but whatever he took, he did not get both. The number of people who would opt to take the income tax allowance would be relatively



small because the only ones who would benefit from it in these circumstances would be the people who are at present liable to surtax.

The only other way of saving money is to go to the other extreme and abolish the income tax allowance altogether -

Sir Keith. - which ruins the tax package.

Mr. Cockfield. These are the only alternatives if you wish to save money. It would mean that a lot of people in the middle bracket would have a reduced benefit compared to the present. Under a scheme of this sort, the great majority would opt for the cash allowance, and only the small number above the surtax level would take the income tax allowance.

Id. Balniel. This is convincing if your only objective is to save money. But if you think of trying to eliminate poverty, we are talking about people who are not paying tax. Under our Administration - as things get better - we hope poverty problem will become smaller and smaller. If you have universal family allowances, will have to pay larger and larger allowances for a diminishing problem. Seem to be two solutions: (1) automatic concentration, through the kind of scheme we are advocating. (2) extend benefits through ~~the~~ means-tested benefits, in the field of those who are ~~not~~ employed. This needs very great care. Involves, for instance, agricultural worker, teacher, etc., living below supplementary benefit level, who would have to be means-tested. Thinks one has to keep the stigma of the means test. If extend help through the tax allowance, NIT would do this.

Mr. Hayhoe, Para.7 does it.

Id. Balniel. Diminished incentive.

Sir Keith. Many of those who need help are unskilled workers with bad employers, who cannot earn more. They are often disabled - often employed by hospitals, coal boards, etc.

Mrs. Thatcher. You cannot introduce NIT just to help solve this problem.

Sir Keith. Increased family allowances ..... to the lowest paid is the quickest way of helping.

Mr. Rippen. Use the social services for those not benefiting from the tax changes. Get maximum number of tax exemptions. Then have to use the social services as a whole. Treat whole thing as a social service payment - nothing to do with taxation. ... There has to be some social payment for certain people. There is of course an element of stigma.

Id. Balniel. Mr. Wilson has already tried the "means-tested" cry against our policies. If we extended supplementary benefits to the field of employment, we would be in trouble.



Mr. Barber. Is there any other way of helping people in need? The proposals in this paper are proposals to switch to the tax system. Would have thought it was completely out.

If you are going to provide the help only for those in need, then thinks payments ought to go to the wife. This can only be done through means test, ~~xxx~~ of those in work, and this is a major decision.

Sir Keith. Mr. Cockfield says it could be done through the employer.

Mr. Dayhoe. Agrees with Mr. Hogg: in real terms not so important switching allowance from the wife to the husband, though political ... .. could be made a big thing. The research shows that the wives who get these things feel they should not be getting them.

Mr. Barber. The majority of wives asked were wives in families not in the greatest need. If to switch the system, then it would go to the husbands.

Mr. Douglas. Second column under income tax paid relevant here.

Sir Michael Fraser. Are not we thinking a little statically? of the situation today? We hope that when we are in office the situation will change. In the immediate situation now, switching it is from the wife in the greatest need does not make sense. But he is not at all sure that we are not jumping this fence before it is there. As standards rise - as we hope they will - and it needs part of our process to see they do - then will come a moment when you could look at the matter again. Then would be a different situation, and ~~the~~ the limiting factors on size of families might begin - with greater education, etc., to apply in areas other than they do at present. Mr. Hogg is right that the largest families are those in the richest end of the spectrum (which is a good thing) or at the other end, in incompetent circumstances.

Sir Keith. Child poverty often occurs in the smaller families of 1 to 3 children.

Mrs. Thatcher. How far did Research Dept. go with idea that such families should apply to the local authorities for maintenance grants - like the maintenance grants for school clothes, etc: these are means-tested.

Mr. Macleod. We are beginning to confuse two things - the abolition of poverty and what we do about the problem of family allowances in the context of our tax package. These are different problems. If we argue, as Sir Keith and Ld. Balniel do, that we must go all out to relieve poverty in this field, we must argue against the case argued by Maurice Macmillan in the field of health and the case to be argued in education, etc. I think the right way of



dealing with this is to use the present sentence in the Manifesto, brought up to date. That is our position at the moment. We would like virtually to abolish family allowances, which is implicit in this sentence. Use the money for the reduction of taxation and for the increase of £100 million to supplementary benefits. Do not think we can take on board a commitment more or less to abolish poverty in the family by the route of the family allowances which I regard essentially as part of the tax package.

Mr. Hogg. The problem about abolishing family allowances is that .. .....already tax-tested and the result is that if you abolish them, the surtax payer feels it least, but the target voter feels it most, and the poverty-stricken person who gets an allowance benefits. But, broadly speaking, what you are doing is to benefit child poverty at the expense of the middle spectrum of parents, which is just the way to lose votes at an election, even if it were just. You are really subsidising the poor at the expense of the middle band. If you are going to subsidise the poor, better to do it at expense of the parent who is paying surtax.

Mr. Barber. In pure political terms, would not be afraid of this. I do not think the ordinary middle class person would mind very much losing family allowances, because they are an unpopular form of allowance. And I hope we can devise a system to do what Iain Macleod/ wants to do - to save money. ??? Does not think initial system, until para.7, is worthwhile. Am I not right in thinking that if we want to save the Exchequer and help those most in need, it must mean means-testing those in work.

Sir Keith. Agreed.

Id. Balniel. Does not visualise such a scheme only affecting family allowances, or that it would be done in first year of office. Referred to the American Government having started major examination of ~~xxxx~~ this kind of concentration of the tax system to help these people. Everyone else is trying to do this. Minimum income guarantee system. More and more pressure. Seems logical thing to do. If our solution for families in work and in poverty means means-testing, then solution not wise.

Mr. Barber. Already happening over rent rebates.

Mr. Heath. I suppose, taken on its own from the administrative point of view - to help those who most need it and give proportionately less to those who least need it - present system of clawback is good. But when you add this to our taxation system, then every incentive to reduce complexity and level of top taxation.

Mr. Carr. If ever going to move to personal rather than ... ..  
xxx ..., would presumably ally the two together.



Sir Keith. You could meet the need to help family poverty within the £100 million to a large extent. And by increasing family allowances and clawing back from ... ..

Mr. Walker. If reckon £7 rent for council house - say, reduce it to £2, subsidise for £5. Then family allowance on the same basis .. ... talking about £8 margin. Only if they earn up to £8 more, there is no incentive.

Sir Keith. Come back to announcement about Commission on Poverty, and deal with the immediate problem out of Macleod's reserve because the problem is so complicated.

Mr. Hogg. Must finance the operation not out of the middle band of incomes

Mr. Rawlinson. Could not legislate on this in first year.

Mr. Rippon. Leave it as Iain Macleod has said.

Id. Balniel. If Iain Macleod's package carries with it abolition of family allowances, this is going to be absolutely impossible.

Mr. Macleod. As said at EPG, would abolish family allowances, and pay through supplementary benefits. As far as the tax package is concerned, have put aside £100 million for supplementary benefits and any help given to the family. It has not been forgotten. Do not think we need be more precise than updating para.1, which everyone agrees to be fine. The sky did not fall in when these words were used in "Make Life Better". [ It was not the words that frightened the birds. Laughter. ]

Sir Keith. We are to spend many scores of millions of £s improving position of unearned incomes. Here are 5 million people living under supplementary benefit level, 1million of them children; and here is a link with crime, squalor, and poor housing.

Mr. Heath. We don't seem prepared to do what is required.

Lrd. Balniel. We ought to try and prepare ourselves. Plenty of people have written works on poverty and tax - Howell, K. Baker, Tim Fortescue all interested. We cannot have a bleeding hearts campaign if in fact we are going to remove the one basic element which is relieving poverty. Suggest we have a Commission.

Id. Jellicoe. Is there any reason why we could not have a group without necessarily announcing it?

Mr. Macleod. It exists. EPG; and a committee under chairmanship of Terence Higgins, which includes Brandon Rhys Williams, has been considering NIT. Everyone comes to the conclusion that NIT is a splendid idea but virtually impossible administratively.



Sir Keith. This is more ambitious than we need. We need to find how to relieve poverty of those in work.

Mr. Heath. The problem has lasted for centuries - how you relieve poverty and still give incentive. Has lasted since Elizabeth I's time! Even Douglas Houghton has not found the answer. I remain convinced that we do not know the answer, and must get some people who do.

Mr. Walker. Must see services (health, education, etc.) are available. Do more in housing. Then left with margin of clothing and food.

Mrs. Thatcher. Have not really tackled the problem on education front. Very old slum schools. We probably need nursery schools with free food.

Mr. Carr. In this enquiry, well aware of the vast snags. Problem of the low-paid worker. Pros and cons. of minimum wage ought to be looked at. The cons are enormous. I have always thought the cons were so great that ... ..

Id. Balniel. Minimum wage does not take account of number of children, etc.

Mr. Godber. Other countries do it.

Mr. Heath referred to work of wages councils. Sir Keith: these are being abolished. Mr. Heath. The people not covered are those who slip between them.

Sir Keith. Problem still among the lowest paid workers.

Mr. Hogg. What is the cost-effectiveness of employing a man with a large family, out of work, which involves a subsidy from public funds? Answer not self-evident.

Sir Micheal Fraser. Some of these lowest-paid workers are in the CD column on the charts.

Id. Balniel. How do you answer the specific question, "Will you increase family allowances?" (from CPAG and others).

Heath: policy cannot be pre-empted.

Id. Jellicoe. We may have 12 months to look at it. Suggest have a group. Mr. Walker. Hopes it will be a private group.



SP/70/13. Other Issues Requiring Policy Decisions

1. Regional Policy.

(a) Grants and Allowances. How can they be selective? Discretionary grants under the Local Employment Acts.

Joseph. If we shift over in the ... .. a different system. Want to lean towards the Local Employment Acts system.

(b) Grey Areas.

Mr. Godber referred to Hunt's proposal about more building without IDCs in the grey areas. Mr. Heath. We have to reduce discrimination between development and grey areas.

Mr. Hogg. Regional administration centres would have the effect of considerably assisting the grey areas. Mr. Heath. Most of the ... .. would be in the grey areas. Mr. Hogg. Much ancillary stuff would come there because of administrative centre (see under 7).

Mr. Barber. Do we have to say how we are going to choose grey areas?  
Sir Keith. Say, we shall use some of the REP savings?

Mr. Heath. The answer for the grey areas is flexibility.

Mr. Hayhoe. see p.9 of the manifesto, refers to "all areas" - we have not said this before. There is great concern in the grey areas but this draft covers them.

Sir Keith. (?) Switches. over £20 million commitment if we continue it. Could get the money out of savings in the development areas ... ..

Mr. Douglas. Do you want to keep grants under the Local Employment Acts for grey areas

Sir Keith. It would help increase flexibility if we could occasionally help an isolated spot in a grey area.

Mr. Heath. Don't mind maintaining Local Employment Acts, but trying to move away from the whole subsidy system. £20 million a lot of money. Doesn't support soup-kitchen economy/approach.

Sir Keith. Improve the infra-structure.

Mr. Barber. Key word "maintain". Say that where necessary we shall be ready to provide assistance. Mr. Heath. What is needed is some different words. Mr. Campbell: much money is poured out and is ineffective in result.



## 2. Nationalised Steel

Sir Keith. Has a document from the private sector suggesting their alternative. There are various forms of words, various objections.  
... ..  
"Increase", "instil" ... ..

Mr. Barber. No political steam except ... ..

Mr. Maudling. ... .. Barber formula ...

Mr. Heath. We cannot expect to return to the original structure of the firms. Do not know what the structure will be. Will introduce competition in the industry.

## 3. Savings

Mr. Macleod. Weakness in the Government scheme is that there is no form of equity link. Small savers are going to demand such a link.

Mr. Maudling. Surely there is not an equity link in the Govt. scheme?

Mr. Macleod. We want to encourage the tax relief for the SAYE savings that have an equity link.

Mr. Walker. Building societies which have link with assurance are more attractive than any Govt. scheme. You get a life assurance rebate on it, being a contract. Must do something along this life assurance line. Then have a system of actively canvassing it.

Mr. Rippon. Must avoid over-pressuring into a govt. scheme. The present system helps the surtax payers most.

Mr. Maudling. We should help private schemes and improve the Govt. one.

Mr. Heath. Give special help for ... ..

Mr. Walker. Actually, the contractual schemes of the government are not doing well. Mr. Heath. This and Giro have been flops.

Mr. Macleod. This probably goes back to the fact that people do not save under Socialism. There might be a revolutionary change in savings under us.

Mrs. Thatcher. Have we dropped the system for giving tax relief in the year in which you made the saving?

Mr. Heath. Brian Reading's scheme was that it would come to PAYE immediately. - this was (i) in the paper. (ii) could be very expensive.

/ Mr. Walker



Mr. Walker. The government's policies on taxation rebates makes a great difference to the exact direction in which savings go. We should look at the factors making an impact on movements in direction of savings.

Mr. Heath. Does not like phrase "close the loopholes" in (i). Regarded Brian Reading's scheme as more imaginative and effective than the present Govt. scheme. We do not want (ii), because very expensive.

Mr. Hayhoe. use phrase "a more sensible scheme".

Mr. Douglas. Brian Reading's scheme is in effect "closing loopholes".

Mr. Heath. use such words as "We shall introduce a more imaginative scheme ... ..".

#### 4. Fisheries

Mr. Godber. Report was made about Christmas time by group which had been working on White Fish. Suggests this should come to Shadow Cabinet in due course. Mr. Heath. Take it this Wednesday.

#### 5. Equal Pay and Policy for Women

Mr. Barber referred to proposals made by the Cripps Committee on (a) taxation, (b) other matters such as rights and position under the law. Suggested that Mr. Macleod might make recommendations to the Shadow Cabinet.

Mr. Macleod. Mr. Maudling and I have met representatives of the Cripps Ctee., and have agreed the major tax proposals - the separate ~~tax~~ taxation of women at work.

~~Mr. Maudling~~ Sir Peter Rawlinson said Mr. Hogg and he had seen representatives of the Committee also. Most of their points could easily be adjusted, and he could set out quite a few recommendations which would be attractive to the women's organisations.

Mrs. Thatcher said this all went back to the 1969 Party Conference, where it was agreed that the Report of the Committee be considered. She had sent representatives of the Committee to the Shadows concerned. She thought we must report to the Women's Conference as to what are the definite items of our policy.

Mr. Heath. Sir Peter Rawlinson and Mr. Hogg should report to the Shadow Cabinet which points we accepted on the civil law side, so that these could be discussed by the Shadow. Mr. Macleod and Mr. Maudling should submit the answers on taxation. Mr. Macleod said these could be announced at the Women's Conference.

Mr. Hogg said that a slight redraft in the Manifesto would cover everything.



6. Health Service administration

Taken in earlier session.

7. Reform of Local Government.

Mr. Walker said the Govt. White Paper on the Maud Report would be out on Wednesday. No advantage in setting out detailed policy in an election campaign. He wanted to make four points.  
(1) The Government have put it the wrong way round; rationalisation before Crowther reported. Cannot decide until have the answers on relations of central and local government, devolution, etc.  
(2) They have not looked at functions of local government.

Would like say in principle, that we think there should be two tiers in local government, and that the lower would deal with local amenities. Also in drawing up boundaries for future local government, should take account of whole machinery as at present - difficulties of Manchester, Cheshire, Lancashire, etc.

Not going to legislate for one or two years.

Broadly, say in favour ... .. must look at relationship of central and local government.

Mr. Heath. If you don't legislate in the second Session, will not do it in next Parliament.

Mr. Campbell. Wheatley Report on Scotland has recommended two tiers. Matter has had a first debate in the Scottish Grand Committee. He is going to take same sort of line as Mr. Walker. ~~Will be able~~ Still collecting views. The Government have only just got the first local authority reactions - a White Paper expected in May.

Mr. Heath. The general citizen's view of all this is very different from those of the people actually involved. There is a great risk in appearing to stall or dither. ... .. In general, people want local government done more efficiently by fewer people at lower cost.

... ..

Mr. Godber. It is on the county level that you get the emotion.

Mr. Hogg. Still convinced that the right end of the stick is to devolve from Parliament on to the big authorities ... .. Then don't run up against problems of a Kings Lynn with its regalia going back to King John, and make ... .. a more effective administrative weapon. This is Crowther; and you solve quite adventitiously a lot of problems, and help on local taxation problem. You also solve a good many problems on structure of health services, law and order, and a great many on education.



Mr. Walker. This is Crowther. The Maud Report is on the existing functions of local government; and no one, including ourselves, has looked at what central government functions you could devolve. To do this is very difficult if you are not in Government. Such devolution should be the main purpose of our reform. ... ..

Mr. Hogg. Basically, the system is top-heavy at the centre. This leads to everything being over-centralised in London, and so many problems become impossible overnight.

Mr. Walker. Urban and Rural Districts have got combined statement in which they agreed to do away with whole host of organisations. AMC might come to some agreement with County Councils. We have got local authorities to agree to considerable rationalisation. To start imposing Maud without examining functions of central govt. is heading for trouble, especially in our party because of number of party workers linked with campaigners.

Mr. Hogg. Local parties hostile to Maud. Hostile basically on the supposition that Maud takes away from the grass roots what they wish to retain.

Mr. Walker. Maud put local councils as an optional extra. We can get over this, by saying we will have a bottom tier, and a tier taking power from the central government. Must attack the Govt. for not considering this.

Mr. Rippon thought the Draft Manifesto and Mr. Walker's work has hit the right balance. There was not enough ~~an~~ devolution, and no regard to finance. This is a holding operation; does not give impression we are going to do nothing.

Mr. Barber. This is right. There is quite a lot of pressure, especially from people in local authorities, to say something. He thinks we can hold this position. If the election is not for some months, people may think we are in favour of ~~him~~<sup>him</sup> - not because we have not made up our minds, but because we have not condemned him. It would be very helpful if by the summer we could have the sort of statement which Mr. Walker has made today as to why we are not prepared to support the Government on this. Mr. Walker said he would in fact have to spell out our attitude on Wednesday, on the White Paper. Our principles would upset one or two cities.

Mr. Whitelaw hoped that if Mr. Walker was going to speak on Wednesday, he would say something on these lines, so that we could just hold the Parliamentary Party, in which there was a lot of pent-up feeling against Maud, which was very strong. If Mr. Walker will say something about the second tier at once, as soon as the White Paper is published, this will help.

... ..

/ Mr. Heath.



Mr. Heath. Are we saying we can do nothing without another Commission? This is the line Labour would take in attacking us during the Debate. And the Crowther Report will not come in for about 5 years.

Mr. Rippon. We can point to our record on GLC, on Teesside.

Sir Alec Douglas-Home. In the Scottish context, we have looked into financial flexibility for the local authorities. This involves difficulty unless we are prepared to say regions can raise taxation on their own. You would have to have something like a Royal Commission on this before you could give really substantial financial powers to regional areas. The whole subject is too difficult for anyone but a special body. Mr. Rippon said there had been eight Royal Commissions on it already this century! We could take a decision on payroll tax.

Mr. Hogg. ... .. an area of sufficient size where local taxation other than national revenue could be significant, have got an area to which could give slice of taxation ... ..

Mr. Walker. Departments have to decide what they can get rid of to these authorities. These are all fundamental policy decisions as to how much power is to be devolved out of Whitehall. I am in no position to advise.

Mr. Hogg. Would like to see ministries turned into inspectorates, and such things as hospitals taken over by provinces. These would be like Stormont. [Mr. Walker: but this enormously affects the tax package.] On such things as hospitals, schools, we have a model in Stormont.

Sir Alec. Grants to Scotland from Whitehall are given in lump sum to the Secretary of State for distribution to the local authorities, but in practice they have very little flexibility in the use of the money because of having to comply with national standards. This does not amount to much financial autonomy. Mr. Hogg. This is not so in Northern Ireland. On the whole, the amount of trouble we have avoided there (in spite of the communal troubles) is nobody's business.

Id. Balniel. In effect, we want to do what Mr. Walker suggests - hand over large sections of central functions. ... ..

Mr. Heath. ... .. Must be clear whether we are putting off decision on Maud for party or national reasons; or do we genuinely believe that we cannot reach conclusions without other information?

Mr. Walker. If just looking at existing functions, then go for two-tier system, with rationalisation of boundaries (not as suggested by Maud, but more like the present counties). If we want to do more, must start looking at provincial areas, and at what functions they might have, and therefore what size of units would be needed to take ~~xxxx~~ certain functions out of Whitehall. ... ..  
... .. Our inquiry on GLC. Problem of duplication of officials and functions. Teesside, waste of local authority facilities.



We need much more detail of what it means to have such large authorities. ... Present system needs rationalisation, but it must be sensible, in two tiers. We must then look at existing functions ... ..  
Government fundamentally wrong to put Maud before Crowther.

Mr. Campbell. In Scotland we have a two-tier system, and would not like to have to wait for Crowther. I hope we could produce legislation to reform local government in at least the second year of office. There is a great gap on finance which neither Maud nor Wheatley was allowed to tackle. Problem of dividing the debt of existing local authorities as well as Sir Alec's points. Something will need to be done urgently. Would not deal with devolution from central departments until later.

Mr. Rippon. The Act of 1933 gives us machinery.

Mr. Hogg. The ultimate problem is that of boroughs and counties.

Mr. Rippon. This is basically a financial problem, which we tried to tackle by percentage grants instead of ... ..

Mr. Hogg instanced specific example of Oxford borough and Oxford county: would one amalgamate them?

Mr. Barber. What Mr. Walker says this week will be of great significance. We must not commit ourselves to time-consuming commissions if we have to act in our second Session. Mr. Walker: basically, we can make certain amalgamations. By second year, we may have decided ~~on~~ certain devolutions ~~that~~ are possible.

Sir Alec. If you commit yourself too quickly to too small a scheme, you will not be able to do this twice.

Mr. Walker. The provincial tier must be left open to say what functions can be moved ... ..

Mr. Godber. It is the second tier that matters.

Mr. Heath. Thinks it best to hold hand for a day or so after the publication of the White Paper. The middle tier of Maud's three is the one that gives us party security for as long as we want it, as we do get the counties. Mr. Macleod: sure this is right.

Mr. Walker: remember what happened when we tried to do this on London and started to chop off bits of Surrey ... ..

Mr. Heath. We were pushed off what was in our party interests.

Mr. Whitelaw. We shall have to move softly to catch this particular monkey. Our members in the country districts all think they are going to be swallowed up by the towns.

The meeting adjourned at 11.15 p.m.

/Sunday, 1st Feb