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CONFIDENTIAL

PRIME MINISTER

FORWARD LOOK

Your letter of 16 September commissioned reports on a "Forward Look" at the work of Departments for the next 5 years. I attach my report on the Scottish Office; this also includes certain matters on which I have incorporated suggestions made by the Lord Advocate.

In submitting this report I would make two points. First, I have avoided any proposals for constitutional change at either central or local government level. As regards the former - the devolution issue which dominated the last Parliament now attracts very little attention in Scotland, despite the best endeavours of some of our opponents; and for us to devote any attention to it now would be to give it a prominence which it does not deserve. At the local government level the problems in Scotland are not organisational but financial, and I have dealt with this in the report.

Secondly, we need to devote more attention to the rural areas, where the bulk of our support in Scotland now lies. I detect a general feeling among backbench colleagues who represent rural constituencies and among our supporters in the country that our policies are not sufficiently attuned to the needs of rural areas. For example, the quest for cost and manpower reductions in the health service, education and transport can often mean that the first casualties are cottage hospitals, village schools and rural bus services on which rural communities depend for survival. We have of course done a great deal for the rural areas since coming to office. We need to register this with the public and at the same time take a more coordinated approach to the overall effect

of our policies. This is a matter which affects the majority of Departments: I certainly intend to give it particular attention in the development of our policies in Scotland for the next Parliament.

I am copying this minute to members of the Cabinet and Sir Robert Armstrong.

*G.Y.*

G.Y.

23 December 1982

B. R.

#### LAW AND ORDER

The commitments in the 1979 Manifesto were mostly in general terms and no major promises remain to be fulfilled. I doubt, however, if we can claim to have reduced "the weight on the police of traffic supervision duties, unnecessary administration and paper work"; but we can say that police manpower has been kept up to strength and resources have been made available for a realistic attack on crime across the board.

I suggest that our general objectives on law and order for the next Parliament should take the form of giving top priority to protecting the citizen, reducing crimes and improving the efficiency of the police and the courts. I would like to see a commitment to increased resources for the police, including better training, coupled with improvement in the efficiency with which these resources are used, for example through greater use of computers. I would also like to see measures aimed at improving the cooperation between the public and the police and promoting voluntary effort. Chief Constables should be enabled and encouraged to make much greater use of special constables.

Improvements in the framework for control of legal aid expenditure will need to be implemented in the next Parliament. I am determined to find ways to speed up court procedures, in particular to reduce the present level of delay and inconvenience to witnesses and jurors. Some changes would probably require legislation.

There is justifiable pressure for a programme of modernisation of prisons in Scotland. We must make further progress with this; but I also want to develop alternatives to imprisonment - on which a study is being carried out jointly with the local authorities in Scotland covering probation, community service and other provisions for adult offenders. Progress on alternatives to imprisonment would probably require legislation. There might be resource trade-offs between this and the high cost of maintaining the prison service.

The Lord Advocate advises that following completion of Scottish Law Commission reports on the Law of Diligence, which relates to the enforcement of court orders, and the Law of Evidence we must deal in the next Parliament with the long-standing problem of warrant sales. I strongly agree with this. We should also undertake to consider improvements in methods of collecting aliment, probably through the machinery of the courts; and there is scope too for improving the law of evidence.

## HEALTH

We have not made much progress towards our 1979 aim of providing "a coherent system of cash benefits to meet the costs of disability, so that more disabled people can support themselves and live normal lives"; but apart from this there are no Manifesto commitments on health in Scotland which are unmet or require continuing action.

Looking to the future, the first priority on health should be improvement in the management of the service rather than institutional change. We are moving as quickly as resources allow towards a fairer distribution of available resources among the Health Boards in Scotland; and this will continue over the next few years. I am clear that the use of capital resources, and their links with current expenditure, requires further study. A particular point of concern is the trend towards large, integrated centralised hospitals - although it is an inevitable result of advances in medical science that there will be an increase in specialised centres of excellence. A commitment to review the role of the cottage hospital would be very popular. Other areas for review include the management of the ambulance service, to see if economies could be made by separating emergency work from "bus" services. We need to look at the management of hospitals themselves: it is a common impression that competition between professional groups, unclear chains of command, and excessive local trade union power lead to inefficiency. I will also be working towards the abolition of local health councils.

I will continue to press for a substantial increase in the amount of contracting out by the Health Service in Scotland. A prime candidate is laundry facilities where the workload offered by hospitals could form the basis for continued existence of private firms which might otherwise go out of business, leaving local communities bereft of an important service. A second category for consideration is cleaning (where we in the Scottish Office have successfully made savings by contracting out). Other possibilities are maintenance and catering.

For the longer term we may wish to consider whether the dental and ophthalmic services should continue to be part of the NHS or should become completely private.

## SOCIAL WORK

We should renew and restate our 1979 Manifesto commitment "to encourage the voluntary movement and self help groups working in partnership with the statutory services". This is a matter on which I think we can only proceed gradually, by encouragement and example, rather than by mounting a major, expensive programme.

There is a particularly strong case for encouraging voluntary organisations and statutory services to co-operate in the action needed to deal with the effect of family breakdown, especially on the children involved.

Other continuing tasks will include the development of alternatives to imprisonment (mentioned under "Law and Order") and further action on the problem of solvent abuse. I propose shortly to initiate a review of policy towards List D schools: implementing the results of this review will be a matter for the next Parliament.

## AGRICULTURE, FISHERIES AND FORESTRY

On agriculture, we need a structured development programme which will reflect the inbuilt disadvantage of many parts of rural Scotland, particularly in the Highlands. We will remain under continuing pressure from agricultural interests to agree to the Agricultural Development Programme approach favoured by the EC Commission. We have to walk a fairly narrow line here: it is perfectly reasonable to express interest and sympathy towards the idea in general terms, the resource implications need careful consideration.

More generally, we need to make sure that the CAP meets the requirements of Scottish farming. In particular, we should continue the present move towards a better balance between support for cereals and for livestock production in favour of the latter, especially quality beef.

On fishing the main priority will be to make the CFP work effectively. Immediate follow-up action will comprise restructuring of the industry with grants for scrapping, laying up and modernisation; and consideration of the need for measures of local stock management, a particularly contentious topic at present. A continuing and vitally important need, and one which may make some demand on resources, will be policing the CFP to ensure that its provisions are honoured and that we do not, through abuses by others or indeed by our own fishermen, lose the advantages promised over time through recovery of stocks.

Other fishing matters where action is required are the regulation of inshore fisheries, where the law is now out of date; salmon and freshwater fisheries, where we have so far failed to reach agreement with the interests concerned; and legislation to regulate and develop fish-farming.

Forestry is a sensitive subject. We are requiring the Commission to sell off substantial parts of its estate, but if the rate of sales is forced much above its present level there will be protests from our supporters and indeed the viability of some of the Commission's operations may be undermined. We will need to consider in the longer term whether full scale privatisation might be appropriate, but a commitment to do this at this stage would undoubtedly be unpopular with our supporters.

## HOUSING

Substantial progress has been made on 1979 Manifesto commitments, but more must be done in the form of help for first time buyers and innovations such as shared ownership. Our general objectives on housing for the next Parliament should be: to continue to seek an increase in the proportion of owner occupation in Scotland; to improve consumer choice, especially for first time buyers; to meet identified housing needs so far as possible; and to encourage public sector tenant involvement. I envisage a range of policies to meet these objectives including:-

- (i) Enabling developers to provide a variety of choice for potential owner occupiers by concentrating building controls on essentials (a review is under way at present) and ensuring an adequate supply of land in different locations.
- (ii) The development of new forms of tenure such as shared ownership, equity sharing and joint ventures.
- (iii) A review of the Tenants Rights Act to improve the right to buy provisions, for example for children over 16.
- (iv) An extension of the right to buy to Housing Association tenants.
- (v) Consideration of the introduction of a statutory right to consultation on housing management issues for public sector tenants.
- (vi) Continuation of the specialist role of Housing Associations and the SSHA.

The legislative implications of all this would be considerable, calling for one major Bill early in the next Parliament.

A specific proposal which I believe would be popular is to set limits on, with a view to eventually eliminating, the rate fund contribution which local authorities make for housing. The number of authorities receiving housing subsidies is declining, so that our power to influence the decisions of authorities through subsidy will decrease. There would be disadvantages in taking power to control directly the level of rents charged by local authorities but direct control over rate fund contributions has attractions. In particular it would help reduce the general burden of rates, and would be welcomed by our supporters. Legislation would be required. The resource implications are favourable and such a measure could provide the headroom needed to implement some of the other policies mentioned above.

## LOCAL GOVERNMENT AND RATES

The relationship between central and local government will remain a focus of political and public attention. The conclusions of MISC 79 will be relevant to the action we need to take in Scotland.

I will wish to resist pressure for reorganisation of local government in Scotland. We do not have the same problems with the larger authorities which have so preoccupied MISC 79 and we have only recently completed the process of readjustment between regions and districts following the Stodart Report and legislation last session.

The main continuing difficulties we will face, as in England and Wales, will be financial. If overspending by Scottish local authorities continues and there is substantial RSG clawback, the results will be seriously inequitable because of the existing statutory framework. My existing powers enable me to protect authorities who meet our targets and to take selective action against those whose expenditure is excessive and unreasonable. But I need more effective powers to ensure that reasonably economical authorities - such as Tayside, Grampian and Strathclyde - are not penalised through the grant system for the policies of high spenders. We must ask Parliament for more effective powers to ensure that economical authorities are not penalised through the grant system for the excesses of high spenders. Also, as mentioned under "Housing", I think that substantial help to ratepayers can be given by setting limits on the contributions which local authorities can make from the rates to housing.

A continuing source of concern in Scotland is apparent anomalies in the methods of valuation of the commercial sector such as hotels, shops, caravans and racecourses. We should give a commitment to bring forward legislation early in the next Parliament to remedy such anomalies. This could be part of the follow-up to MISC 79, but urgent action - confined of course to Scotland - will be necessary.



## TRANSPORT

Substantial progress has been made towards our Manifesto commitments on Road Equivalent Tariff (RET) and the A94 trunk road, but public expenditure constraints mean that further commitments on timing on these matters should be avoided. Our objectives should be couched in general terms and should cover improving Scotland's strategic road network; and ensuring the continuation of adequate surface and air transport links in the Highlands and Islands.

We have privatised some of the functions of the Scottish Transport Group. The remainder of the Group's activities are under review by consultants. Privatisation of the whole of the Group, or any of its major constituent parts, would run counter to our rural policy objectives and would seriously undermine support in the rural areas.

## EDUCATION

Two items remain from the 1979 Manifesto. Mainly because of financial constraints it has not so far been possible to set "national standards in reading, writing and arithmetic, monitored by tests worked out with teachers and others and applied locally by education authorities". The cost of large-scale testing would be considerable. No step has so far been taken "to give parents the right to be consulted on the running and standards of a school, either by a development of schools councils or by a system of governing bodies"; but we have made a number of other changes which are making schools more sensitive to parents' views.

Major reforms in curriculum and assessment are in prospect to the extent that resources permit the implementation of the Munn and Dunning recommendations. We propose to establish a more coherent pattern for post-compulsory course provision and certification for 16-18 year olds who are not proceeding to higher education and who, under the present arrangements, are offered only a limited choice of educational opportunities. This work will dovetail with the MSCs Youth Training Scheme and the Technical Education Initiative.

We can reaffirm the commitment to move to an all-graduate basis for the primary teaching profession in Scotland. I now have Treasury agreement for the necessary reallocation of resources to cover this, though implementation will take some time. We are committed to improving the quality of the teaching force, reviewing pre-service training and improving the arrangements for in-service training. As part of this it will be necessary to consider further rationalisation of the college of education system in Scotland. The Scottish Microelectronic Development Programme has made a good start and its continuation and expansion has recently been announced.

It remains my firm intention that corporal punishment should be eliminated in Scotland. The present position is that good progress has been made, though voluntary agreement on elimination may not be achieved in all regions. I will be considering the matter further with the Secretary of State for Education and Science.

Decisions will soon be required on the organisation of tertiary education in Scotland, where the Tertiary Education Council has recently recommended a new structure for the allocation of resources to central institutions and other colleges. Implementation will be for the next Parliament. The Council is now considering continuing education for adults and will report next year. A useful programme could be started on a relatively small scale, say £1 million a year initially.

I have announced my intention to establish a Museum of Scotland based largely on existing institutions. I will wish to maintain this commitment and, in due course, find the resources for it.

## ECONOMIC AND INDUSTRIAL DEVELOPMENT

The economic needs of Scotland are likely to remain much as they appear at present, with a continuing threat over the future of the older industries which will be shedding labour, generally in areas where unemployment is already high. Our capacity to make a convincing response to this will, of course, depend on the overall state of the economy but for the foreseeable future it is clear that we will continue to be under pressure to provide the maximum possible support for existing firms to grow and develop and for new investment in Scotland. We have been successful in obtaining a number of new microelectronics companies in the last few years, but we owe this very largely to the policies which have provided financial assistance, premises, transport and communications infrastructure, housing, and a trained workforce. We need a commitment to providing a continuation of this sort of level of support, where needed, otherwise our position throughout Scotland will lack credibility. Much will turn on what we decide to do following the report of the Quinlan Group.

Within this general framework there are a number of features of the policy we have built up in this Parliament to which I believe we should attach continuing importance - for example the identification of key growth sectors, industrial innovation schemes and the development of small businesses.

On employment we need to maintain our commitment to the special measures to alleviate particular unemployment problems and, for the longer term, to the provision of training, particularly for young people, where I believe there is considerable scope for an integration between training and education to use the available resources more effectively.

We need to develop a leisure and recreation policy with the SDA, HIDB, STB and local authorities to enhance Scotland as a tourist destination, provide opportunities for sport and recreation in appropriate rural areas on a seasonal or year-round basis and provide planners and developers with guidelines so as to generate confidence in long term investment and infrastructure provision.