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CABINET

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

THURSDAY 26 JULY 1979

at 10.30 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
President of the Council

The Rt Hon James Prior MP
Secretary of State for Employment

The Rt Hon Sir Ian Gilmour MP
Privy Seal

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

THE FOLLOWING WERE ALSO PRESENT

Hon Sir Michael Havers QC MP
 General (Items 7 and 8)

The Rt Hon Norman Fowler MP
 Minister of Transport

Hon Michael Jopling MP
 Parliamentary Secretary, Treasury

Mr Paul Channon MP
 Minister of State, Civil Service
 Department (Item 4)

SECRETARIAT

Sir John Hunt	
Mr M D M Franklin	(Items 2 and 3)
Mr P Le Cheminant	(Items 4 - 6)
Mr P J Harrop	(Items 1, 7 and 8)
Mr R L Wade-Gery	(Items 2 and 3)
Mr P Mountfield	(Items 5 and 6)
Mr D E R Faulkner	(Items 1, 7 and 8)
Mr A S D Whybrow	(Item 4)

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SECRETARY

1. The Cabinet were informed of the business to be taken in the House of Commons during the period 22-26 October.

THE PRIME MINISTER said that it was essential for as many as possible of the Government's major Bills to be introduced immediately the House of Commons returned from the Summer Recess. Although it was sometimes possible for a Bill to receive its Second Reading without the normal interval of two weekends from the date of publication, this would not be acceptable for substantial Bills of major importance. Bills which had not been introduced before the long Recess could not therefore receive their Second Reading before 5 November. Nor should Bills be introduced in an incomplete or unsatisfactory state, in the expectation that faults or omissions could be made good by amendment in Committee: such amendments would expose the Government to serious criticism. Consideration could be given in due course to the introduction of certain major Bills in the House of Lords. Bills starting in the Commons would need to reach the Lords - where a timetable procedure was not available - in sufficient time to protect their passage against delaying tactics by Opposition peers. Ministers should therefore ensure that work on major Bills was completed as far as possible before the end of the Recess.

The Cabinet -

Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that, in the current government crisis in New Delhi, there seemed to be no clear majority in Parliament either for Mr Desai or for his main rival Mr Charan Singh. The latter was less well-disposed to Britain and less internationally minded. It was uncertain whether any Minister would now represent India at Lusaka, where Mr Desai had been due to make the keynote speech.

THE FOREIGN AND COMMONWEALTH SECRETARY said that a second British businessman had been arrested. As in the earlier case he was unlikely to get a fair trial. We had protested, particularly about the lack so far of consular access. But we lacked any real leverage. The scope for action in concert with other Western countries was limited but would be further examined.

THE FOREIGN AND COMMONWEALTH SECRETARY said that useful progress had been achieved at the Geneva Conference on refugees from Vietnam. A total of 260,000 places for refugees had been pledged, as well as \$190 million for the United Nations High Commissioner. After an uncertain start, the Americans and some others had followed Britain's robust line in criticism of the Vietnamese Government, who moderated the truculent stance they originally adopted and by the end of the Conference were privately promising to curb the exodus. Our European partners had with some difficulty now been persuaded to suspend for the time being further food aid for Vietnam.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the restrained tone of the House of Commons debate on Rhodesia, and the support for the Government's approach there demonstrated, had been a satisfactory prelude to what was bound to be a difficult meeting of the Commonwealth Heads of Government at Lusaka. Thereafter the Government would be putting forward proposals for the next step, which would take into account the views of those we had consulted, including our American and European allies and moderate governments in Africa.

The Cabinet -

Took note.

3. In a brief discussion it was noted that the recent meeting of the Council of Ministers (Agriculture) had considered proposals for a common organisation of the market for sheepmeat. It was not in the United Kingdom's interest to have a Community regime for sheepmeat in its present form.

The Cabinet -

Took note.

4. The Cabinet had before them a minute from the Lord President of the Council to the Prime Minister dated 25 July 1979, reporting the conclusions of the meeting of the Ministerial Group on Dispersal (MISC 12) and covering the draft of a Parliamentary statement on dispersal which it was proposed should be made later in the day.

THE LORD PRESIDENT OF THE COUNCIL said that the Ministerial Committee on Economic Strategy at their meeting on 24 July had decided to confirm five of the moves in the existing dispersal programme, namely those of the Manpower Services Commission to Sheffield (1,850 further posts), the Export Credits Guarantee Department to Cardiff (550 further posts), the Council for Small Industries in Rural Areas to Salisbury (67 further posts), the Stationery Office Laboratory to Norwich (40 posts), and of 90 Customs and Excise posts to Southend. They had agreed that there should be a substantial dispersal to Scotland, and had invited MISC 12 to give more detailed consideration to this and also to the question of dispersal to Bootle. They had not agreed to any other dispersal proposals. MISC 12 had agreed that dispersal to Scotland should consist of 650 posts to a building now under construction at East Kilbride, and at least 1,350 posts to Glasgow giving a total of at least 2,000 posts in all. Under the existing dispersal programme, the East Kilbride offices were due to be occupied by the Overseas Development Administration (ODA), who had pointed out that the proposed move would involve half their headquarters staff and would cause considerable disruption. MISC 12 had agreed that Cabinet colleagues should be invited to volunteer alternative posts for dispersal to East Kilbride, but no offers had been made and MISC 12's conclusion was therefore that the move of ODA posts should be confirmed. As for Glasgow, the Secretary of State for Defence had undertaken to try to find all the necessary posts for dispersal from the London area. MISC 12 had noted that 250 posts had been volunteered for dispersal to Bootle, 150 computer posts by the Home Secretary and 100 Property Services Agency posts by the Secretary of State for the Environment. Given the needs of Merseyside and the existence of the Crown Offices at Bootle which would soon be ready to accommodate 2,300 staff, MISC 12 considered that there would be advantage in the Government's committing itself to dispersing 2,300 posts to Bootle. But there was no prospect of this number of posts being volunteered, and MISC 12 had been given no authority to designate particular Departments for this purpose. They recommended, however, that the field of choice should be restricted to those Departments who were due to disperse posts to Merseyside under the existing programme. In discussion at MISC 12 it had been suggested that the Parliamentary statement should not mention Bootle at all, but should leave the door open to further announcements about dispersal in due course. The majority of MISC 12 had however considered that the Parliamentary statement should represent the Government's final position as far

as the existing dispersal programme was concerned, without of course ruling out the possibility of further dispersal exercises in the future, and the draft statement reflected this view.

In discussion of Scotland, it was argued that not only would dispersal make the operation of the ODA more expensive and less efficient but also that staff cuts would make the target of 650 posts more difficult to achieve. It was also suggested that the draft statement should allow the Secretary of State for Defence some room to disperse staff to Glasgow from outside London if this made better administrative sense. On the other hand this might raise unnecessary fears in the English regions, and the existing draft need not prevent a handful of posts coming from elsewhere if need be. The statement should also say that "at least" 2,000 posts would be moved to Scotland.

In discussion of Bootle, it was pointed out that even without dispersal the new Crown Offices could be used for staff currently accommodated in leased offices nearby. On the other hand, it was suggested that dispersal to Bootle was desirable on regional policy grounds and that the Cabinet should agree a total figure and authorise the Lord President of the Council, or a Ministerial Group, to select the candidates. It would however be impossible to do this for an announcement that afternoon and in any case Departments whose projected moves to other locations were now to be cancelled might be in a better position to disperse to Merseyside than the Departments who had previously been intended to go there.

In further discussion, it was argued that there should be further dispersal to Cardiff where the cancellation of the large Ministry of Defence dispersal could have important political repercussions. Public expenditure problems could be overcome by renting existing office accommodation, or by using private developers to build the new offices. Against this it was argued that the Public Accounts Committee had criticised Governments for the extent to which the office estate was rented rather than owned. Cancellations of dispersal plans would also lead to questions of what to do with half completed buildings.

In continued discussion a number of drafting changes to the Parliamentary statement were agreed.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet confirmed that the five moves agreed by the Ministerial Committee on Economic Strategy should go ahead. They agreed to the dispersal of 650 Overseas Development Administration posts to East Kilbride, and of at least 1,350 Ministry of Defence posts to Glasgow, where the St. Enoch's site would be used. They confirmed the moves of 150 Home Office computer unit posts and 100 Property Services Agency posts to Bootle which had been agreed by the Home Secretary and the Secretary of State for the Environment respectively.

They agreed that the Parliamentary statement should refer to the new Government offices at Bootle and should foreshadow further dispersal there beyond the 250 posts already agreed, though without specifying a figure. They recognised that this was likely in practice to lead to dispersal of substantial numbers of further posts to Bootle. They had agreed that the Departments to be considered for the further dispersal to Bootle need not be confined to those Departments which had been due to disperse posts to Merseyside under the existing programme. The Lord President of the Council should consult his colleagues about what posts might be dispersed, and should report back to the Cabinet with firm proposals in due course. The Cabinet had agreed that the rest of the existing dispersal programme should be cancelled. They had noted that the sale of the St. Mellon's site at Cardiff could involve political difficulties. They had also noted that buildings now under construction at Southport and Blackpool would no longer be required for dispersal, and invited the Secretary of State for the Environment to consider cancelling the building contracts or otherwise disposing of the buildings, in consultation with the Chief Secretary, Treasury on the public expenditure implications. The Lord President of the Council should arrange for a statement of the Government's conclusions to be made in both Houses of Parliament that afternoon, taking account of the drafting amendments which had been agreed during the discussion.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Lord President of the Council, the Secretary of State for the Environment and the other Ministers' concerned, to be guided accordingly.

5. The Cabinet resumed its discussion of Public Expenditure in 1980-81. It had before it, in addition to the papers considered at the previous meetings, a minute from the Chief Secretary, Treasury, dated 25 July about the programmes for Northern Ireland, Scotland, Wales and Coal; and a minute dated 25 July from the Chancellor of the Exchequer about guidance to local authorities.

THE CHIEF SECRETARY, TREASURY, said that since the last meeting, agreement had been reached on reductions of £90 million in the programme of the Northern Ireland Office; of £256 million in the programmes of the Scottish Office; of £107 million in the programmes of the Welsh Office; and of £25 million in the external financing requirements of the National Coal Board.

THE CHANCELLOR OF THE EXCHEQUER said that the Cabinet had earlier decided not to make any statement to Parliament before the Recess about the reductions in Public Expenditure in 1980-81 which had now been agreed. It had however noted that it would be necessary to give guidance to the local authorities, and to certain other bodies, about their spending plans for 1980-81. He had therefore circulated, with his minute of 25 July, the text of 'guidance' which it was proposed should be given to local authorities at meetings starting on Tuesday 31 July. Similar guidance would be given to nationalised industries and other public bodies involved. The outstanding problem was whether such guidance should be expressed in global terms, or should proceed to itemise the main reductions which the Government wanted to see, although it had no power to impose them. It might also be necessary to give guidance to the local authorities about the reductions to be made in later years. Cabinet would also wish to consider the arrangements for its own discussion of later years after the Recess.

In discussion, it was argued that the Government, in its consultations with the local authorities, had always stressed the need for flexibility at local level, and had merely sought the advice of the local authorities about the services on which reductions might be made. Having reached decisions on the overall reductions, the Government should now inform the authorities, and leave them to indicate how the savings would be found. The Government for its part should simply say that it would make the necessary legislative changes which would permit the authorities to make certain economies if they chose.

Against this, it was argued that the Cabinet had in fact carefully chosen some of the main areas in which it wished cuts to fall. In education, it had been particularly careful to avoid damage to the main educational programme, concentrating reductions upon peripheral services like transport and school meals. These decisions would be seriously mis-represented if the Government did not give some indication of where it wished reductions to be made. This was particularly important for education since it bulked so large in local

authority total expenditure. However, if the proposed guidance highlighted the preservation of standards in education, this would simply draw attention to the sharp reduction in other services which might be needed, for example in the provision of old people's homes.

In further discussion, there was general agreement that the Cabinet should return to the level of expenditure in subsequent years in September. It would be necessary to publish a White Paper covering at least the expenditure levels of 1980-81 in the late autumn. However, there were arguments against publication of figures for years after 1980-81. It might be sensible to abandon the practice of publishing five-year public expenditure White Papers, or of modifying substantially the degree of detail which was published about later years. The Cabinet needed a further paper on this question before taking final decisions.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet confirmed the agreements which had been reached on the programmes for Northern Ireland, Scotland, Wales and Coal in 1980-81. They agreed that it would be necessary to give guidance to the local authorities and to other public sector bodies. This guidance should be given in confidence, despite the risk that it would leak, so that the Government could defensibly postpone publication until Parliament resumed. The Chancellor of the Exchequer, in consultation with the Secretary of State for the Environment and the other Ministers directly concerned, should agree the precise terms of the guidance to be given to local authorities. Where it was necessary to give guidance to other public sector bodies, including the nationalised industries, this should be done in the normal way and after consultation with the Treasury in each case. In preparing guidance to local authorities the Chancellor of the Exchequer and his colleagues should take account of the views expressed by the Cabinet and would, in particular, omit detailed figures on the lines of Tables A and B in his draft statement. The Chancellor of the Exchequer should bring a paper to the Cabinet dealing with the arguments for and against the publication of information for the later years. The Cabinet would itself resume its discussion of expenditure in later years on 13 September. In the light of progress made at that meeting, it would probably be necessary for the Treasury to conduct bilateral negotiations with the Departments concerned, the results of which would be considered by Cabinet on 18 October.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Chancellor of the Exchequer and the other Ministers concerned to proceed accordingly.

6. The Cabinet had before them a minute dated 17 July from the Lord President of the Council, suggesting that, with the imposition of cash limit controls, the recruitment ban agreed by Cabinet at its second meeting had now served its purpose and that the ending of the ban should be announced by a Written Answer before the Recess. They also considered a minute from the Secretary of State for the Environment dated 24 July arguing that the ban should be retained, primarily in the interests of containing local authority expenditure.

THE LORD PRESIDENT OF THE COUNCIL said that, following his minute of 17 July, most of the Ministers consulted had agreed that the ban could now be lifted. It was a blunt instrument, and considerable flexibility had been needed by Departmental Ministers in applying it. Cash limits now allowed a much more effective control.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the ban had been an unprecedented measure, which enabled him to urge local authorities to take similar action. If the ban were now lifted in Government Departments, it would be correspondingly more difficult to persuade the local authorities, to whom similar cash limit disciplines did not apply, to keep tight control over their manpower. It was important, both in local authorities and in Government Departments, to retain political control over staff numbers and new recruitment.

THE PRIME MINISTER, summing up a brief discussion, said that the Cabinet agreed that the formal ban on recruitment should now be lifted. It was for Departmental Ministers to maintain control over staff numbers and new recruitment in their own Departments. They would have to keep within their cash limits and should also adjust their recruitment policy to prepare for the very much larger cuts in manpower which the Cabinet would be considering in the autumn. Any announcement about the lifting of the ban should make it clear that strict discipline would be maintained over recruitment which would only take place sparingly.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Lord President of the Council and the other Ministers concerned to proceed accordingly.

7. The Cabinet had before them a memorandum by the Secretary of State for the Home Department (C(79) 32) about the Reform of Section 2 of the Official Secrets Act.

THE HOME SECRETARY said that reform of Section 2 of the Official Secrets Act had been discussed extensively, both in Opposition and in Government. His paper identified a small number of important issues which still had to be decided, but a Bill would then be prepared as soon as possible. The report of the Departmental Committee on Section 2 of the Official Secrets Act 1911 (the Franks Committee) had received wide support and he proposed that the Government should wherever possible follow its recommendations. Departures from them in a restrictive direction would expose the Government to criticism both from the Opposition and from some of their own supporters. The outstanding issues were the protection to be given to Cabinet papers and to information about the currency and the reserves; the arrangements for the certification of serious injury to the interests of the nation (whether by the responsible Minister or on the advice of "three wise men"); and the cover which might be needed for the confidences of foreign governments. On the latter he was more disposed to meet the wishes of the Foreign and Commonwealth Secretary. Arrangements for securing adequate protection under the Security and Intelligence category for certain activities of the Ministry of Defence and the Armed Forces should be the subject of further consideration by officials. The Bill might be suitable for introduction in the House of Lords.

It was suggested in discussion that a more restrictive Short Title might be preferable to "Official Information Bill" in order to emphasise that the Bill was not to be concerned with freedom of information. The Long Title could be made proof against amendments to extend the scope of the Bill in this way, but the Long Title could itself be amended in the House of Lords. If this were a serious possibility, it might be preferable to introduce the Bill in the House of Commons to ensure that it did not reach that House with a Long Title that would permit wide-ranging amendments.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that Cabinet papers and information regarding the currency and the reserves did not require the protection of criminal sanctions and that the certification of "serious injury" to the interests of the nation should be the business of the responsible Minister. The Cabinet approved the proposals in C(79) 32 subject to the addition of a further category "the confidences of foreign governments" to the categories of information which would have blanket cover, not subject to the "serious injury" test. Both the Short and Long Title must be drawn tightly to minimise the scope for amendment. With this in mind the Home Secretary should consider the case for an alternative Short Title in consultation with the Lord Chancellor and the

Attorney General. Legislation Committee should take into account the likelihood of unacceptable amendments to the Long Title being carried when they considered whether the Bill should be introduced in the House of Lords.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion.
2. Invited the Home Secretary, in consultation with other Ministers concerned, to arrange for a Bill to be drafted accordingly.

MEETING
CABINET

8. THE PRIME MINISTER said that the next full meeting of the Cabinet was planned for Thursday, 13 September when public expenditure in the later years was due to be considered. She would however like to hold a meeting on Thursday 30 August to be attended by those Cabinet Ministers who were not on holiday: but she would not wish members of the Cabinet to interrupt planned official visits or their holidays in order to return to London for this meeting. Ministers and Departments had been forced to work at great pressure during the early months of the new Government, and after the holidays more care should be given to the careful preparation of matters coming to the Cabinet and their subsequent clear presentation in Cabinet papers. Nevertheless the Government had made a good start.

The Cabinet -

Took note.

Cabinet Office

26 July 1979



PRIME MINISTER

CABINET OFFICE
 A 3126.....
 25 JUL 1979
 FILING INSTRUCTIONS
 FILE No. 1711

cc Sir K Berrill
 Mr Le Cheminant
 Mr Mountfield
 Mr Harrop
 Mr Whybrow

REVIEW OF DISPERSAL PROGRAMME

1. At Tuesday's meeting of the Ministerial Committee on Economic Strategy, you asked me to chair a small group of Ministers (MISC 12) to reach decisions on certain aspects of dispersal which E Committee had left open, and to agree a draft statement to be made in Parliament on Thursday 26 July. MISC 12 accordingly met this morning.
2. E Committee agreed to the moves in Option 1 of the paper E(79)26. MISC 12 had to deal with the question of moves to Scotland and to Bootle.
3. As to Scotland, E Committee expressed sympathy with George Younger's view that at least 2,000 posts should be dispersed there. At MISC 12 this morning, Francis Pym agreed that he would do his best to find 1400-1450 London-based posts to send to Glasgow. MISC 12 also agreed that 650 posts should be dispersed to the building now under construction at East Kilbride, giving a total of something over 2,000 for Scotland as a whole. Under the previous Administration's plans, the East Kilbride building was earmarked for the Overseas Development Administration. Neil Marten argued strongly that the dispersal of this many posts - about half of HQ staff - would affect the efficiency of a small Department such as his much more than that of a large Department. While appreciating his difficulties we felt that the political need was overriding and that the existing plan to disperse ODA posts should be confirmed unless any of our Cabinet colleagues are willing to volunteer 650 alternative posts for East Kilbride. If such offers are forthcoming we will need to know by tomorrow morning.

As to Bootle, we noted that 250 posts had been volunteered for dispersal there and that E Committee were content for up to an additional 2,050 staff to go there if their Departments agreed. On reflection, we doubted whether this commitment went far enough. In particular, we thought there would be advantage, given the needs of Merseyside and the existence of the Crown Offices there, which will accommodate 2,300 staff, if the Government were able to commit itself to dispersing 2,300 posts to Bootle. We recognised that it would not be possible, in time for an announcement on Thursday, to reach agreement on which posts would go there, but we thought the announcement would be precise enough if it said that the posts would come from the Departments who are due to move to Merseyside under the existing programme. These are, the Home Office, the Foreign and Commonwealth Office, the Ministry of Agriculture, Fisheries and Food, the Health and Safety Executive and the Agricultural Research Council (the moves previously envisaged for them to Merseyside involved about 4,000 posts so that there should be room to cut out those moves least attractive on managerial grounds). The alternatives are either to announce the 250 moves already agreed, leaving the remainder of the new accommodation in Bootle to be filled by local moves from existing rented property, or leaving Bootle out of the announcement altogether.

Two other points arose of which you should be aware.

Firstly, some Ministers argued that we should not make a final announcement on Thursday, but that dispersal should be a continuing process. Otherwise they argued that there would be a tendency for numbers working in central London to creep back up. I took the view that, while of course we were not ruling out further dispersal exercises for all time, E Committee had decided to cancel the whole of the existing exercise apart from Option 1 and the moves to Glasgow and Bootle which we had been discussing. I am sure that Thursday's announcement must be designed to end uncertainty as far as possible. There is no point in encouraging the assisted areas to hope for further dispersals which, in the next few years at least, they are not going to get.

Secondly, Michael Heseltine pointed out that building contracts were in progress for two moves which E Committee decided to cancel, namely the Office of Population Censuses and Surveys to Southport (where the building under construction is of a specialised design which limits the possibilities for alternative uses) and the Department of Health and Social Security's further move to Norcross, Blackpool. We noted that the costing of the options considered by E Committee assumed that cancellation of these two dispersals would be followed by cancellation of the building contracts. Michael Heseltine is reluctant to take this step. We took the view that these were matters for him to sort out with the Chief Secretary, Treasury.

I enclose a draft Parliamentary statement reflecting MISC 12's
conclusions, and if you agree I would suggest that Cabinet be
asked to reach final conclusions on it tomorrow morning.

I am copying this minute to all our Cabinet colleagues, the
Secretary of Transport, the Chief Whip, and Sir John Hunt.

S.

July 1979

...that in the Assisted Areas the dispersal
is viewed as an important element in improving
...nevertheless some of the important
...led to the setting up of the Harman study so
...1973 the Civil Service was expanding and the
...prospect of providing more offices at high
...Government intends to reduce the size of the
...the gap between office rents in London and in the
...substantially narrowed and the long term financial
...people out of London are that such the loss.
...ered all these factors the Government have concluded
...dispersal programme must be substantially reduced.
...rvedy in progress are so far advanced that they
...These are the moves of the Manpower Services
...field, the Export Credits Guarantee Department to
...Council for Small Industries in Rural Areas to
...are 2 further small moves which would increase the
...Departments concerned at very little cost. These
...of Her Majesty's Stationery Office to Norwich and
...about 90 Customs and Excise staff to Southend.

DRAFT STATEMENT

On 11 June the Government announced that it was going to review the programme of Civil Service dispersal. The Hardman Report of 1973 had produced 3 possible options. Our predecessors then produced a plan which was significantly different from any of them.

When we came into office we found it was proposed not only to disperse a further 21,000 Civil Service posts from London but also 1,000 from such places as Harrogate, Bath and Didcot. Such dispersal moves from places outside London were never suggested in the Hardman report and it is impossible to see the justification for them. The present programme would cost over £250m. during the remainder of the present Public Expenditure Survey period to 1983/84, and we should be well into the 1990s before the benefits from dispersal began to offset the costs.

Whilst I recognize that in the Assisted Areas the dispersal programme has been viewed as an important element in improving employment opportunities, nevertheless some of the important considerations which led to the setting up of the Hardman study no longer apply. In 1973 the Civil Service was expanding and the Government faced the prospect of providing more offices at high London rents. This Government intends to reduce the size of the Service. Moreover, the gap between office rents in London and in the provinces has substantially narrowed and the long term financial benefits of moving people out of London are that much the less.

Having considered all these factors the Government have concluded that the present dispersal programme must be substantially reduced.

Three moves already in progress are so far advanced that they should continue. These are the moves of the Manpower Services Commission to Sheffield, the Export Credits Guarantee Department to Cardiff and the Council for Small Industries in Rural Areas to Salisbury. There are 2 further small moves which would increase the efficiency of the Departments concerned at very little cost. These are the laboratory of Her Majesty's Stationery Office to Norwich and a small group of about 90 Customs and Excise staff to Southend.

5. The Government have also decided that some dispersal of Civil Service posts is justified to meet the particularly pressing needs of Glasgow and Merseyside. A total of 2000 posts will therefore be moved to Glasgow and East Kilbride by the Ministry of Defence and the Overseas Development Administration. There will also be a dispersal to Bootle of 2300 posts. The precise composition of this has not yet been settled but the posts will be drawn from those Departments who were already assigned to Merseyside. These are the Ministry of Agriculture, Fisheries and Food, the Home Office, the Foreign and Commonwealth Office, the Health and Safety Executive and the Agricultural Research Council.

6. The Government have also decided that some dispersal of Civil Service posts is justified to meet the particularly pressing needs of Glasgow and Merseyside. A total of 2000 posts will therefore be moved to Glasgow and East Kilbride by the Ministry of Defence and the Overseas Development Administration. A total of 250 posts will be moved to Bootle by the Home Office and the Property Services Agency.

6. The Government have also decided that some dispersal of Civil Service posts is justified to meet the pressing needs of Glasgow. A total of 2000 posts will therefore be moved to Glasgow and East Kilbride by the Ministry of Defence and the Overseas Development Administration.

7. All the posts in the revised programme will be taken from the London area.

8. The rest of the existing dispersal programme will be cancelled. This will mean a saving in planned public expenditure of well over £200 million up to 1983/84.



CABINET OFFICE
 A
 25 JUL 1979
 FILING INSTRUCTIONS
 FILE No. 11514

Handwritten notes:
 Dup. P. G. [unclear] 18/79
 cc Sir K B...
 Mr K Cherniack
 Mr Mansfield
 Dup D. J. G. [unclear] 30/7/79
 to Mac Millan

PRIME MINISTER

PUBLIC EXPENDITURE - NORTHERN IRELAND, SCOTLAND AND WALES;
 AND COAL

In the absence of the Chancellor of the Exchequer today, I am reporting the position on the reductions for Northern Ireland, Scotland and Wales following discussion in MISC 11 and elsewhere.

2. The following reductions have been agreed for 1980/81:-

Northern Ireland	-	£90 million
Scotland	-	£256 million
Wales	-	£107 million

3. For Scotland and Wales, these figures represent the appropriate reductions to take account of Cabinet's decisions on other programmes on Monday.

4. For Northern Ireland, the appropriate pro-rata reduction would be £96 million. The Secretary of State for Northern Ireland feels that he cannot agree to this, but is prepared to agree to £90 million (as was mentioned in Cabinet). In the circumstances, the Chancellor and I am prepared to accept this figure. But I must put on record that it is not to be regarded as establishing any principle of allowing more expenditure in Northern Ireland than the normal formula indicates.

As regards coal, I have reached agreement with the Secretary of State for Energy that there should be a reduction of £25 million in the external financing requirements of the National Coal Board.

I am copying this minute to other members of the Cabinet, including the Minister of Transport, and to Sir John Hunt.

THE MINISTER

25 JUL 1979

W J B

PUBLIC EXPENDITURE
GUIDANCE TO LOCAL AUTHORITIES AND OTHERS

At the Cabinet meeting on 23rd July I was invited to make a statement about giving early guidance to local authorities and nationalised industries on the planned programmes for 1979-80. They will be expected to make next year, following our plans on public expenditure.

JOHN BIFFEN
25 July 1979

Local Authorities

I attach a draft of a possible statement which the Secretary of State for the Environment might be invited to make. The draft has been discussed between officials of the Departments mainly concerned. The main questions which we need to decide in Cabinet tomorrow are:

- (1) Is it agreed that a statement should be made on these lines? It has been emphasised strongly to us that, if the local authorities are to cut back their plans on the scale required, they need to be told before the holidays. Accordingly, even though we have decided not to make a full statement to Parliament about all the reductions in plans, I believe that this guidance should be given to the local authorities.
- (2) Does Cabinet have views on the best form of such a statement? The figures in it will need to be checked with Departments following Cabinet's final decision.



Treasury Chambers, Parliament Street, SW1P 3AG
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CABINET OFFICE
A 3132
25 JUL 1979
FILING INSTRUCTIONS
FILE No. 112/1

PRIME MINISTER

PUBLIC EXPENDITURE 1980-81 :
GUIDANCE TO LOCAL AUTHORITIES AND OTHERS

At the Cabinet meeting on 23rd July I was invited to make proposals about giving early guidance to local authorities and nationalised industries on the reductions from planned programmes which they will be expected to make next year, following our decisions on public expenditure.

A. Local Authorities

2. I attach a draft of a possible statement which the Secretary of State for the Environment might be invited to make. The draft has been discussed between officials of the Departments mainly concerned. The main questions which we need to decide in Cabinet tomorrow are:

(i) Is it agreed that a statement should be made on these lines? It has been emphasised strongly to us that, if the local authorities are to cut back their plans on the scale required, they need to be told before the holidays. Accordingly, even though we have decided not to make a full statement to Parliament about all the reductions in plans, I believe that this guidance should be given to the local authorities.

(ii) Does Cabinet have views on the best timing of such a statement? The figures in it will need to be checked with Departments following Cabinet's final decisions



programmes, and on the other hand except where larger cuts had been identified in Opposition). If we are now to consult on the later years, it should be on the basis of options not less than those needed to get back to the expenditure level of 1977-78. Therefore paragraph 7 of the draft is in terms of reductions, from the revised level for 1980-81, which would in fact achieve the 12½/17½ per cent path. The figure required for 1980-81 is in fact intermediate between the 5 per cent and 7½ per cent options suggested. Any consultation on housing (excluded from this paragraph) can be arranged separately, in terms to be agreed between DOE and the Treasury. I hope Cabinet will agree that consultations should go forward on this basis, aimed at reports by end-September when we propose to resume consideration of the later years.

B. Other Agencies

3. We have been planning not to announce the rest of our public expenditure decisions before the autumn. But there may be a few minor cases, besides the local authorities, where it is necessary to take some action going beyond central government, and therefore liable to become public, if the decisions are to be fully effective next year. There may be one example in agriculture (Meat and Livestock Commission).

4. I hope it can be agreed that, if colleagues are satisfied that such action is essential to secure the cuts in any specific case, they should clear what they propose with the Treasury.

C. Nationalised Industries

5. I was also asked to cover the question of guidance to the nationalised industries. This is much less difficult than for local authorities but it is still not straightforward.



(with minor adjustments, e.g. to Table A to a basis familiar to local authorities). Subject to this, the announcement should clearly be made as soon as possible.

- (iii) Should the guidance for 1980-81 be given, for current expenditure, in terms of a single total, or itemised by service? This was discussed in the MISC 11 report (paragraphs 6-9) which recommended the global approach, and in the minute of 18th July from the Secretary of State for Education taking a different view. Clearly we must now resolve this issue, choosing between the alternative versions of paragraphs 3 and 4 in the attached draft.
- (iv) Should the local authorities be consulted about the later years? The draft refers to the consultation on options for reductions in 1980-81 of up to 7½ per cent (as agreed following the letter of 7th June from the Secretary of State for the Environment); and it states the Government's intention to publish its full plans for 1980-81 and later years in the autumn.

If the local authorities are to be consulted about the implications for them of further reductions in the later years, now is the time to do so.

Cabinet agreed on 24th May that, to provide options for getting back by 1982-83 to the adjusted public expenditure total for 1977-78, reductions should be considered of 7½ per cent on the Cmnd.7439 programmes for 1980-81, 12½ per cent for 1981-82, 17½ per cent for 1982-83, and not less than that again in 1983-84 (except for the defence, law and order and health



6. The last Government made a virtue of aiming to give the industries "by the end of the summer", rather than the end of the year, "approval for 100 per cent of their agreed investment programme for one year ahead" and a declining percentage of the programme for the next two years. We cannot generally say much this year about 1981-82 and 1982-83. But we should be able to say something about 1980-81, provided this can be done in terms that preserve the option of using cash limits in a way that exerts pressure for responsible pay bargaining. I have already told the Chairmen that we have it in mind to set cash limits in advance of pay negotiations. But if they are to be a useful discipline, sponsor Ministers will need to present the volume figures for investment and financing which have been agreed as provisional maxima which are subject to later decisions and discussions on cash limits. I ask sponsor Ministers to consult Treasury Ministers about the way in which our decisions so far should be conveyed to the different industries.

D. Decisions on the later years of the Survey

7. We will need to return to decisions about the later years of the Survey period. We should do so as soon as possible after the holidays if we are to publish a White Paper soon after Parliament reassembles.

8. If you and other colleagues agree, I suggest that the Chief Secretary might circulate proposals which could be discussed in MISC 11 or bilaterally with colleagues prior to further discussion in Cabinet, unless it is practicable to arrange a Cabinet discussion fairly early in September. We could aim in this way to reach as much agreement as possible with a view to settling outstanding issues at Cabinet in the early autumn.



9. I am sending copies of this minute to our Cabinet colleagues, including Norman Fowler, and to Sir John Hunt.

[Approved by the Chancellor of the Exchequer and signed in his absence]

Mark Hall

(G.H.)

25 July 1979

PUBLIC EXPENDITURE 1980-81

1. Ministers have been considering the public expenditure plans for 1980-81. Given the poor prospect for economic growth next year, world-wide and in the UK, there is a clear need to rein back the inherited plans for public spending. To implement these plans in full would have meant a rate of growth of public expenditure in volume terms, above the revised figures for the current year, of about 6 per cent. This is out of the question, and taken in conjunction with the substantial increases in public service pay, would have been wholly inconsistent with the Government's economic strategy. It would have meant adding to inflationary pressures and pushing up interest rates, and would have made some increase in the net tax burden inevitable.

2. The Government will announce its decisions on the whole range of programmes for 1980-81 and later years in the autumn. However, the local authorities need to know now what the scale of cuts affecting them for 1980-81 will be, as they are planning their budgets now for that year. In considering the scale of reductions for next year, we have taken full account of the consultations with the local authorities on options for cuts of up to 7½ per cent, and the discussion in the Consultative Council on 9th July. The Secretary of State for Scotland will be seeing the Scottish local authorities; what I have to say to you now concerns England and Wales.

3. Within the overall need for spending reductions, the Government thinks it right to give local authorities the maximum freedom to decide on the allocation of funds in accordance with their own local spending priorities. ~~X~~ But the Government has decided that local authorities should plan on the basis of a reduction of 5 per cent on the plans for current expenditure in Circular 15/79 for 1980-81 which amounted in total to £12,163m. This would be a reduction of 1 per cent on the levels I have asked local authorities to achieve in 1979-80.

4. We shall want to discuss with you the most realistic allocation among individual services, but the total of relevant expenditure for Rate Support Grant will of course need to be consistent with this overall level of current expenditure. It is the Government's view that priority should be given to law and order, and in particular the plans for court, police and probation services should not undergo any reduction.

5. For its part, the Government intends to seek certain legislative changes to give the local authorities more latitude in achieving the total. In the field of education, where the Government's wish is that standards in primary and secondary schools should be maintained, we shall ask Parliament to relax the statutory obligation on local authorities to provide school milk and meals, and to remove the restrictions on charging for school transport, with a view to savings totalling well over £200 million in 1980-81. We shall also ask Parliament to approve primary legislation to allow local authorities to charge for planning permissions, and to reduce the role of the counties in planning procedures; and secondary legislation to charge for the enforcement of building regulations, and amend the General Development Order.

6. For capital expenditure, which is centrally controlled for each programme separately, the Government has decided that the national totals for the programmes for 1980-81 as set out in Cmnd.7439 (revalued to 1979 Survey prices) should be reduced by the amounts set out in the attached table. [B]. Allocations to individual authorities will be made later.

7. For later years, beyond 1980-81, there have not yet been any consultations on the options. The reductions in expenditure in this year and next will need to be carried forward in the three following years, which will be covered in the Government's full public expenditure plans to be published in the autumn. I therefore propose that, in the light of the allocation for 1980-81

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among individual services, expenditure groups should report to the Consultative Council by the end-September how these reductions in later years can best be achieved. To that end they should examine options for reducing the level of total local authority spending now envisaged for 1980-81 (excluding housing, which is being dealt with separately; and law and order), amounting to 5 per cent and 7½ per cent in 1981-82, and in each case a further 5 per cent below these levels in 1982-83 - with the level in 1982-83 continued into 1983-84 which will be the final year in the new public expenditure plans.

8. I intend to issue this statement as a circular to local authorities shortly.

ALTERNATIVE PARAGRAPHS 3 & 4 IF SERVICE TOTALS ARE TO BE GIVEN

3. The Government has decided that local authorities should plan on the basis of a reduction of 5 per cent on the plans in Circular 15/79 for 1980-81. This would be a reduction of 1 per cent on the levels I have asked local authorities to achieve in 1979-80. The total of relevant expenditure for Rate Support Grant will of course need to be consistent with the overall level of current expenditure.

4. The Government's views on the appropriate reductions for individual services to achieve this total are set out in the attached table [A]. It is the Government's view that priority should be given to law and order, and in particular the plans for court, police and probation services should not undergo any reduction.

Home Office Services	5
Education (including school transport)	143
School Meals and Milk	200
Arts and Libraries	16
Personal Social Services	114
	619

£15.13 for police, courts and probation, less £ contained in Cmd. 7839 for ethnic minorities grants.

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TABLE A

LA CURRENT EXPENDITURE : ENGLAND AND WALES		£m.
(PES Definition)		
Trade		4
Transport		61
Environment:		
Housing		13
Other		74
Home Office Services		+ 8*
Education (including school transport)		145
School Meals and Milk		200
Arts and Libraries		16
Personal Social Services		<u>114</u>
		619

* Plus 13 for police, courts and probation, less 5 contained in Cmnd. 7439 for ethnic minorities grants.

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17 JUL 1979
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TABLE B

LA CAPITAL EXPENDITURE: ENGLAND AND WALES

£m.

Transport	75
Environment:	
Housing	799
Other	93
Home Office	+ 8
Education	26
Arts and Libraries	1
Personal Social Services	11
	<hr/>
	997

I am copying to Cabinet colleagues, the Minister of Transport and Sir John Hunt.

Mr Miles

I have arranged that the Civil Service will comment on this. No 10 will take no action till they see his minute.



CABINET OFFICE
A 2788
17 JUL 1979
FILING INSTRUCTIONS
FILE No. 115/15

cc Sir K Bennell
 ...Mr Le (Leminant)
 Mr Mountfield

PRIME MINISTER

THE BAN ON CIVIL SERVICE RECRUITMENT

When we took office we imposed a 3 month freeze on recruitment to the Civil Service as an initial measure in our plans to curb public expenditure. As I reported to you on 29 June, we have since agreed on adjusted cash limits to provide for a 2 $\frac{3}{4}$ % overall savings in Civil Service staff costs this year, after allowing for some essential exemptions. And we shall be discussing plans for reductions in the longer term in September.

2. Information from departments shows that we are now well on course to achieving the required saving in staff costs. The ban has served its intended purpose of exerting an immediate pressure on numbers but now that we have established the new cash limits I do not think we need retain it.

3. The cash limits will compel continuing restraint in recruitment by departments but continuation of the general ban, with its present largely indiscriminate effects, would cause unnecessary strains and make more difficult the resumption of recruitment particularly of some good quality people. The financial discipline of the cash limit is now our constraint and we can leave it to colleagues to permit such recruitment as they consider necessary. This will provide a more flexible approach, enable recruitment to be adjusted more closely to operational needs and provide a more sensible run-in to the bigger reductions we shall be discussing in September. I therefore propose that we announce the lifting of the general ban from mid-August by means of a Written Answer before the recess.

4. I am copying to Cabinet colleagues, the Minister of Transport and Sir John Hunt.

S

Mr Miles

SOAMES
 17 July 1979

I have arranged that the Chief Secretary will comment on this; No 10 will take no action till they see his minute.

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CABINET OFFICE
A 3090
25 JUL 1979
FILE INSTRUCTIONS
FILE No. 115/7

cc ✓ Sir K Bond
 ✓ Mr K Chermier
 ✓ Mr Mountfield

25/7

PRIME MINISTER

THE BAN ON CIVIL SERVICE RECRUITMENT

I had the opportunity of discussing with you earlier today the proposal by the Lord President to lift the overall ban on civil service recruitment. You agreed that I might raise my worries orally at Cabinet on Thursday and asked me in the meanwhile to circulate a minute.

I would urge that at this stage we should not lift the ban, for the following reasons:

- i. this would be seen as a first weakening of the Government's resolution in the critical field of restraining public service manpower;
- ii. it would be extremely difficult for me to continue to ask local authorities to retain a ban - which I believe is necessary - if in central Government the restriction had been lifted;
- iii. as the Lord President reminds us, we shall be discussing future, and bigger, reductions in manpower in September. Until this exercise is complete I believe that the ban should remain as it underlines the Government's determination and, at the same time, will make easier the achievement of reductions. Until that review is complete we simply do not know how credible our stance on manpower reductions will be;
- iv. the achievement of arbitrary percentage reductions is a significant step. But it is not a substitute for Ministers taking day to day decisions about the details of their own Departments - a process which is made necessary by the recruitment ban.

I accept that we should now adopt a more flexible regime. Ministers in Departments should have discretion but the reporting procedures should, I believe, be agreed by the Lord President. One refinement we could adopt has been tried successfully by some of our colleagues in local government. This involves a percentage replacement policy - for every ten people leaving, a finite number - perhaps eight - can be recruited. I fully realise too, that the maintenance of a



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continuing restraint policy means that more attention has to be paid to redeploying manpower within the civil service. But this is the essence of what must be involved in our policies if we are to avoid redundancies on the one hand, while recruiting on the other.

Finally, any announcement that is made on the continuation of restraint, if that is what is agreed, could make clear that the ban is not total: for example, specific reference could be made to recruitment which might be needed to maintain health and safety.

I am copying this to Cabinet colleagues, the Minister of Transport and to Sir John Hunt.

MH

MH

24 July 1979