

BV

SECRET

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

CC(83) 1st  
Conclusions

COPY NO 79

CABINET

---

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

THURSDAY 20 JANUARY 1983

at 10.00 am

---

P R E S E N T

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 Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer

The Rt Hon Francis Pym MP  
Secretary of State for Foreign and  
Commonwealth Affairs

The Rt Hon Sir Keith Joseph MP  
Secretary of State for Education and Science

The Rt Hon James Prior MP  
Secretary of State for Northern Ireland

The Rt Hon Peter Walker MP  
Minister of Agriculture, Fisheries and Food

The Rt Hon Michael Heseltine MP  
Secretary of State for Defence

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 John Biffen MP  
Lord President of the Council

The Rt Hon David Howell MP  
Secretary of State for Transport

The Rt Hon Norman Fowler MP  
Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP  
Chief Secretary, Treasury

The Rt Hon Baroness Young  
Lord Privy Seal

The Rt Hon Nigel Lawson MP  
Secretary of State for Energy

The Rt Hon Norman Tebbit MP  
Secretary of State for Employment

The Rt Hon Cecil Parkinson MP  
Chancellor of the Duchy of Lancaster and  
Paymaster General

The Rt Hon Lord Cockfield  
Secretary of State for Trade

The Rt Hon Tom King MP  
Secretary of State for the Environment

SECRET

**SECRET**

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Lord Mackay of Clashfern QC MP  
Lord Advocate (Item 5)

The Rt Hon Sir Ian Percival QC MP  
Solicitor General (Item 5)

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson (Items 4, 6 and 7)  
Mr D J S Hancock (Items 2 and 3)  
Mr A D S Goodall (Items 2 - 4)  
Mr D H J Hilary (Items 1 and 5)  
Mr M S Buckley (Items 6 and 7)  
Mr L J Harris (Items 1 and 5)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
2.	FOREIGN AFFAIRS	
	Arms Control and Disarmament	1
	The Lebanon	2
	Middle East	2
	Falkland Islands	3
	International Financial Situation	4
3.	COMMUNITY AFFAIRS	
	The Community Budget: 1982 Refunds	4
	New Zealand Butter and exports to the Soviet Union	4
	Agricultural Prices	5
	Common Fisheries Policy	5
4.	INDUSTRIAL AFFAIRS	
	Water Industry Pay Negotiations	6
	British Airports Authority	6
5.	INTERIM PAYMENTS FOR CIVIL LEGAL AID WORK	7
6.	PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL	8
7.	LOCAL GOVERNMENT ORGANISATION AND FINANCE	8
	Local Government Organisation	9
	Rating Reform	10

PARLIAMENTARY  
AFFAIRS

1. The Cabinet were informed of the business to be taken in the House of Commons during the following week.

FOREIGN  
AFFAIRS

---  
Arms Control  
and  
Disarmament

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that the speech by the First Secretary of the Soviet Communist Party Mr Andropov on 21 December 1982, followed by the Warsaw Pact Declaration of 5 January 1983, had focussed public opinion on arms control issues. The right public response for the West was to maintain pressure for the zero option; to identify those elements in the Warsaw Pact offer which were positive while pointing out the flaws and inadequacies; to ensure that the substance was properly considered in the negotiations in Geneva on intermediate range nuclear forces (INF); and only when this had been done to pronounce on the merits. There was no prospect of the Soviet Union accepting the zero option, as had been made clear once again during the recent visit to Bonn by the Soviet Foreign Minister, Mr Gromyko; but it remained important to press for it. A solution which fell some way short of the zero option would be worth having provided that, as the Prime Minister had emphasised in the House of Commons, it reflected a true balance and was based on genuine figures. The United States Administration had kept the British Government fully informed about the course of the INF negotiations, including the private talks which Mr Nitze, the United States chief negotiator, had had with his Soviet opposite number in Geneva during the summer. At the moment there was some disarray in Washington following the rejection by the Congress of President Reagan's proposal to deploy MX missiles and the difficulties which had arisen over the defence budget. The forthcoming visit to the United Kingdom of the United States Vice-President, Mr. Bush, which would focus on nuclear issues, would therefore need particularly careful handling. The latest developments highlighted the importance of the domestic debate about deployment to the United Kingdom of American ground-launched cruise missiles (GLCMs). This was a "hearts and minds" operation. Opinion polls suggested that public opinion was basically sound, but the campaign to put the Government's policies across to the public needed to be moved into higher gear.

In discussion it was pointed out that supporters of the Campaign for Nuclear Disarmament (CND) and the Peace Movement were likely to create problems for public order out of proportion to their numbers, and that this was an increasing cause of concern to Chief Constables. Protests were likely to focus on GLCM deployment but would cover the whole range of nuclear issues, civil as well as military. The forthcoming debate in the Church of England Synod on the Bishop of Salisbury's working group report on "The Church and the Bomb" could have an important impact on public opinion: a large number of the younger clergy were against nuclear weapons. On the other hand recent public opinion polls showed that 72 per cent of the electorate were against Britain relinquishing its nuclear deterrent as long as other countries retained their nuclear weapons; and reactions to a recent television debate between Mr John Selwyn Gummer MP and the secretary for CND, Monsignor Bruce Kent, had shown that the public overwhelmingly endorsed the Government's policies when these were effectively presented. Another recent opinion poll had shown a significant increase in public concern about defence issues; but the reasons for this required further analysis, which was in hand.

THE PRIME MINISTER, summing up the discussion, said that the Government had an excellent case and a majority of the public was sympathetic to it. It was important that all members of the Government should present that case as vigorously and effectively as possible.

The Cabinet -

1. Took note.

The Lebanon

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the advance party of the British contingent which was joining the multi-national force in the Lebanon would arrive there on 2 - 3 February and the main party on 8 - 9 February. The British contingent would be stationed in a south-eastern suburb of Beirut next to the United States contingent. Negotiations between Israel and the Lebanon about withdrawal of foreign forces from the country had begun and Mr Philip Habib had returned as United States mediator. Progress was likely to be slow and difficult.

Middle East

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the problem of the proposed visit to London by an Arab League delegation remained unresolved. King Hassan of Morocco had proposed the inclusion of Mr Milhem as the Palestinian representative in place of a member of the Palestinian Liberation Organisation (PLO), and was keen that the visit should take place on 7 and 8 February. But other Arab leaders had not endorsed this proposal: Mr Arafat had said that it was not acceptable and King Hussein of Jordan was unenthusiastic. A meeting between Mr Arafat, Mr Milhem and the Arab League representative in London was taking place that day in Tunis. Meanwhile Britain was floating the possibility of a meeting between the Minister of State, Foreign and Commonwealth Office, Mr Hurd, and Mr Khadoumi of the PLO, to take place in a foreign capital quite separately from the delegation's proposed visit to London. It was important that this idea should be put on the table while the other Arabs were still making up their minds about King Hassan's proposal: it would have no value once King Hassan's proposal had been rejected. Meanwhile there was still no hard evidence of damage to British commercial interests in the Arab world, although there was some damaging speculation on the subject in a number of Arab newspapers.

THE CHANCELLOR OF THE EXCHEQUER said that the Saudi Arabian Finance Minister, whom he had seen two weeks earlier in Riyadh, had expressed serious concern about the impact of the affair on Britain's relations with the Arab world and the obstacles it had created for Saudi efforts to establish a group of moderate Arab countries. The Saudis wanted to see the problem settled. But, although the Saudi Minister had echoed British hopes that economic and financial relationships with the United Kingdom would not be affected, he had not been able to give any assurance to that effect.

THE SECRETARY OF STATE FOR DEFENCE said that his Department was about to embark on a major defence sales promotion project (FLOATER) which would involve sending a ship with a variety of armaments on board on a sales tour round the Gulf. The ship was due to reach its first port of call on 6 February and thereafter to call at most of the Gulf countries, including Saudi Arabia. All the arrangements had been made and were well known to the governments concerned. Cancellation would therefore present major difficulties and on balance it seemed right to allow the project to go ahead.

CONFIDENTIAL

THE PRIME MINISTER, summing up the discussion, noted that there were certain indications of possible trade discrimination against the United Kingdom on the part of Arab countries (eg Bahrain), and that contracts still under negotiation might be adversely affected, if the uncertainty about Palestinian representation on the proposed Arab League delegation was not resolved fairly soon. As against this there was no hard evidence of overt Arab action to interfere directly with British trade or cancel existing contracts. Against this background and in view of the fact that the arrangements for FLOATER were public knowledge throughout the Gulf it would be right for it to go ahead as planned.

The Cabinet -

2. Took note.

Falkland  
Islands

Previous  
Reference:  
CC(82) 49th  
Conclusions,  
Minute 2

THE FOREIGN AND COMMONWEALTH SECRETARY said that the publication of Lord Franks's Report had been warmly welcomed by the Diplomatic Service, which had suffered a great deal of unjustified criticism in recent months both at home and abroad. Meanwhile there was evidence that the Argentine authorities might be planning acts of harassment against British forces and installations on the Falkland Islands. This evidence had to be read in the light of a number of bellicose statements by Argentine military leaders which had been reported in the Argentine Press. There were also separate indications of possible Argentine military action against British scientific bases in the Antarctic which, if it materialised, was likely to produce a severely critical reaction from world opinion. The Government were taking all these indications seriously. Representations had been made in a wide range of foreign capitals to enlist the help of friendly governments in discouraging Argentina from embarking on any further military adventure. A message had been sent to the Argentine Government through the Swiss warning them against any action against the Falkland Islands Dependencies; and instructions were being sent to the United Kingdom representative to the meeting, currently taking place in Wellington, of the signatory states of the Antarctic Treaty to give warning of the risk of Argentine military action in the Antarctic area. Parallel representations would be made in capitals. Military contingency plans had also been carefully reviewed.

THE SECRETARY OF STATE FOR DEFENCE said that the present Falkland Islands garrison had been established with a view to meeting the sort of contingencies which it now faced and the Chiefs of Staff were satisfied that it had the necessary equipment to deal with the limited threat which Argentina was likely to be able to present over the next three or four years. Thereafter, however, account would have to be taken of the build up of Argentine forces and the increasingly sophisticated equipment which they were acquiring.

THE PRIME MINISTER, summing up a short discussion, said that consideration had been given to the possibility of retaliatory action in the event of acts of military harassment by Argentina. But, in the light of legal advice it was difficult to see how retaliation which went beyond self-defence would be consistent with Article 51 of the United Nations Charter. The most effective way of deterring Argentina was to ensure that any Argentine act of harassment was decisively repulsed.

The Cabinet -

3. Took note.

International  
Financial  
Situation

THE CHANCELLOR OF THE EXCHEQUER said that the meeting of the Group of Ten Finance Ministers and Central Bank Governors which he had attended in Paris on 18 January had been one of a series of meetings designed to strengthen the resources available to the International Monetary Fund (IMF) and thereby help to steer the developing countries and the international banking system through the present nexus of debt problems. Suggestions that the United States was taking the lead in this process and the United Kingdom was dragging its feet were the opposite of the truth: Britain was taking the lead in pressing for an increase in the IMF's resources, while the United States Government was uncertain of its ability to obtain Congressional approval for such measures. Recent statements by senior United States officials had appeared to call for new international financial arrangements; steps had subsequently been taken to correct the impressions to which the statements had given rise, but they had aroused expectations, notably among developing countries, which the United States Government now found itself obliged to resist. At the Group of Ten meeting, however, agreement had been reached on increasing the General Arrangements to Borrow (GAB), which was a supplementary resource of the IMF; and in his capacity as chairman of the IMF's Interim Committee he had decided to bring forward the Committee's half-yearly meeting from April to February, since this seemed to offer the best prospect for bringing the United States and the developing countries together and reaching an agreement to increase the IMF quota on an accelerated timescale.

The Cabinet -

4. Took note.

COMMUNITY  
AFFAIRS

---

The Community  
Budget:  
1982 Refunds

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 3

3. THE FOREIGN AND COMMONWEALTH SECRETARY said that the European Commission had made new proposals to the Council of Ministers and the European Parliament for solving the problem created by the Parliament's rejection of the 1982 Supplementary and Amending Budget. The proposals raised a number of problems for the United Kingdom which would be discussed at a meeting of the Ministers most directly concerned later in the day. The Chancellor of the Exchequer would report the results of that meeting to the Prime Minister.

New Zealand  
Butter and  
exports to  
the Soviet  
Union

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that, at the Council of Ministers (Agriculture) on 17-18 January, the French Minister of Agriculture, Madame Cresson, had continued to oppose the implementation of last year's agreement on imports of New Zealand butter into the Community. She was embarrassed because she had, it was thought, made a deal with the Soviet Government that Community butter would be supplied to the Soviet Union. The Commission subsequently had invited tenders for the purchase of surplus Community butter and the Soviet Union had not made an offer. Madame Cresson's line had been strongly opposed by the Commission and all the other member states, except Ireland, and, on the second day of the Council, she had spoken more moderately. Meanwhile, New Zealand butter continued to be admitted on a monthly basis.

Agricultural  
Prices

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the same of the Agriculture Council had had a first discussion of the Commission price proposals for 1983-84 which would produce an average increase of 4.4 per cent in farm prices for the Community as a whole and 4.1 per cent for British farmers. The significant feature of the discussion was that the United Kingdom was alone in advocating greater restraint, particularly for those commodities in structural surplus, and got no support from Germany.

The German Presidency clearly did not want the negotiations on farm prices to reach their decisive stage before the German General Election on 6 March; but they had arranged an intensive programme of meetings in the second half of March with the intention that the price package should be agreed by 1 April.

Common  
Fisheries  
Policy

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the Commission had been holding discussions with the German Presidency and the Danish Government to find a formula which would enable Denmark to accept the Common Fisheries Policy without changing the agreement reached among the other nine member states. Some new ideas had been worked out which Danish Ministers were presenting to their Parliament. If they were successful in securing sufficient Parliamentary support, the Common Fisheries Policy would be agreed at the meeting of the Fisheries Council on 25 January.

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 3

In discussion it was remarked that public opinion in the United Kingdom would be very much more favourable to Community membership if it were possible to solve the problems of fish and the Community budget.

The Cabinet -

Took note.

INDUSTRIAL  
AFFAIRS

---

Water Industry  
Pay  
Negotiations

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 4

4. THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the trade unions in the water industry had consulted their members about the 4 per cent offer by the employers and had been given authority to reject the offer and take industrial action. A ban on overtime and emergency work outside normal hours had been imposed from midnight on Tuesday 18 January and an all-out strike had been called from midnight on Sunday 23 January. The Advisory, Conciliation and Arbitration Service was having separate talks with both parties. It was possible that a marginal increase in the employers' offer, as an earnest of willingness to negotiate, would facilitate mediation and subsequently a reference to arbitration to which the employers had unilateral access under the arbitration agreement but which the trade unions had so far resisted. The outcome might then be an arbitration award, which would be binding, at a tolerable level. The employers would press for the threat of industrial action to be lifted during mediation and arbitration.

THE HOME SECRETARY said that the Civil Contingencies Unit (CCU) had met at Ministerial level on 18 January to review the possible need for service assistance. It had been agreed that the servicemen required under the relevant contingency plans should be at 24 hours notice to move from midnight on Sunday 23 January. They would not however be deployed unless and until service assistance became necessary and specific Ministerial authority had been given. The CCU would be meeting again on Monday 24 January to review the position.

In discussion it was noted that there might be some doubt about whether one of the main trade unions involved, the General Municipal Boilermakers and Allied Trades Union (GMBATU) had proper authority to take industrial action. As a newly merged union the GMBATU had not yet published a rule book but its predecessor for the water industry, the General and Municipal Workers Union (GMWU), required a two-thirds vote of members in favour of cessation of work whereas the figure appeared to be some 59 per cent. It was likely that, in the event of an all-out strike, the Press would draw attention to this.

The Cabinet -

1. Took note.

THE SECRETARY OF STATE FOR TRADE said that the House of Lords had unanimously rejected the appeal by Air Canada and other airlines against an Appeal Court ruling upholding the Government's claim that certain documents, including communications between Ministers and proceedings of the Cabinet and Cabinet Committees, should not be disclosed on public interest grounds. This decision, which had wide implications, was most welcome.

The Cabinet -

2. Took note.

British  
Airports  
Authority



INTERIM  
PAYMENTS FOR  
CIVIL LEGAL  
AID WORK

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 5

5. The Cabinet considered a memorandum by the Home Secretary (C(83) 3) reporting the agreement reached in the Home and Social Affairs Committee (H) on a scheme of interim payments to lawyers and barristers involved in civil legal aid work.

THE HOME SECRETARY said that at their meeting on 16 December the Cabinet had agreed, in principle, that a scheme of interim payments to the legal profession for civil legal aid work should be introduced. They had asked H Committee to give further consideration to the scheme put forward by the Solicitor General, on the basis that the addition to public expenditure in 1982-83 should be kept to about £20 million, and that the scheme should be linked to a review of the costs and fees in civil legal aid cases and to progress towards improved control of costs. C(83) 3 set out the details of the revised scheme agreed by H Committee. He believed that this met the conditions laid down in the previous discussion, and he invited the Cabinet to endorse it. Subject to the Cabinet's approval, the Solicitor General intended to announce the scheme and the associated consultations with the legal profession in a "low-key" written reply to an arranged Parliamentary Question. The announcement would contain no reference to the cost of the scheme in 1982-83, or to other factors from which the cost might be deduced.

THE PRIME MINISTER, summing up a short discussion, said that the Cabinet approved the proposals set out in C(83) 3. The interim scheme represented the partial meeting of an existing liability, and was, therefore, different in kind from other additions to planned public expenditure in 1982-83. There was a risk that the nature of the proposed payments would be misrepresented in the Press and elsewhere. The Cabinet agreed that the Solicitor General should announce the scheme by means of a written reply in the terms already agreed with the Chief Secretary, Treasury; but there should be no accompanying Press conference, and care should be taken to avoid any statements which might create expectations that the scheme would necessarily be put on a more permanent basis in the future. The Cabinet further agreed that, subject to agreement between the Secretary of State for Scotland and the Chief Secretary, Treasury on the details, a similar scheme should be introduced in Scotland.

The Cabinet -

Approved the proposals for a scheme of interim payments for civil legal aid work as set out in C(83) 3.

PARLIAMENTARY  
CONTROL OF  
EXPENDITURE  
(REFORM) BILL

Previous  
Reference:  
CC(82) 53rd  
Conclusions,  
Minute 6

LOCAL  
GOVERNMENT  
ORGANISATION  
AND FINANCE

6. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(83)2) about the Parliamentary Control of Expenditure (Reform) Bill. They also had before them a note by the Secretary of the Cabinet (C(83)4) to which was attached a copy of the text of the Bill as it had been published on 18 January. Their discussion and the conclusions reached are recorded separately.

7. The Cabinet considered a memorandum by the Home Secretary (C(83)1) to which was attached a report by the Ministerial Group on Local Government Organisation and Finance (MISC 79).

THE HOME SECRETARY said that MISC 79 had held extensive discussions of local government organisation and finance. Their main recommendations were as follows:

- i. The Greater London Council (GLC) and the Metropolitan County Councils should be abolished.
- ii. Public transport in the London area should be reorganised by making the London Transport Executive responsible to the Secretary of State for Transport (instead of the GLC) and by converting it, in two stages, into a Metropolitan Transport Authority. It would co-ordinate, and distribute Government financial assistance among the London Underground and buses and the South Eastern commuter services of British Rail.
- iii. A scheme of discounts on domestic rates should be introduced for households consisting of a single person. This would provide flat-rate discounts of the order of £1.50 a week on rate bills of over £3 a week; or 50 per cent of smaller rate bills. The cost would be about £140 to £170 million a year. In presenting the scheme the Government should say that provision for it would be made in the Rate Support Grant settlement each year.

In addition, MISC 79 recommended a number of relatively minor reforms in the rating system; these were discussed in more detail in their report. They recommended no change in local authority electoral arrangements. There were two matters on which MISC 79 had been unable to reach agreement.

- iv. The Inner London Education Authority (ILEA). This was formally a special committee of the GLC. If the GLC was abolished, new arrangements would have to be found for organising education in inner London. Most members of MISC 79 thought that a single body should be retained but reconstituted as a joint board of the inner London boroughs. A minority considered that education should become the responsibility of the inner London boroughs.
- v. Measures to restrain local authority current expenditure. Most members of MISC 79 thought that the Government should not introduce new measures to control local authority current expenditure or rates. There was minority support in the Group for canvassing, in a consultative document or elsewhere, a system of selective central

CONFIDENTIAL

controls on the current expenditure or rates of English and Welsh local authorities; or for 'capping' increases in non-domestic rates. Either measure might be associated with a requirement that local authorities which wished to spend or rate highly should hold a 'town poll' or offer themselves for re-election.

Virtually all these matters would require primary legislation. There was no prospect of legislating in the present Parliament. The Government should, however, be ready to legislate as quickly as possible after a General Election. Legislation to set up a Metropolitan Transport Authority and on rating reform could probably be ready for introduction in November 1983; legislation to abolish the GLC and the Metropolitan Counties would be complex and would take a long time to prepare but could probably be ready early in 1984 provided that preparations began and announcements were made early. MISC 79 were aware that their recommendations on rates might disappoint the Cabinet. They had perhaps identified problems rather than solved them. Nevertheless, he had to warn the Cabinet that the problems were intractable: certainly there were no easy answers.

Local  
Government  
Organisation

In discussion of local government organisation, the following main points were made:

- a. As the report by MISC 79 made clear, there were objections to the proposed abolition of the GLC and the Metropolitan County Councils. Relatively few members of the public took much interest in local government or would expect tangible benefits to flow from reorganisation. On the other hand, the GLC and the Metropolitan Counties had few duties, and those duties could be satisfactorily discharged by alternative arrangements; they were unpopular in their own areas; and many, even among the Government's political opponents, would welcome their abolition.
- b. Whether the GLC was abolished or not, transport in London should be reorganised on the lines proposed by MISC 79. This could be done by separate legislation.
- c. Views were divided on the arrangements which might replace the ILEA if the GLC was abolished. On the one hand, there were educational arguments for retaining a single body to run all local authority education in inner London. Not to replace the ILEA by a single body would provoke a campaign of criticism by educational interests of the sort which had proved effective in the past. On the other hand, the educational arguments for giving responsibility for education to large bodies were open to doubt. In other metropolitan areas the districts were responsible for education; and they discharged their responsibilities well. Similarly, in inner London the boroughs, or perhaps groupings of boroughs, could be responsible for education.
- d. If the Government were eventually to decide upon the abolition of the GLC and the Metropolitan Counties, an announcement should be followed as quickly as possible by legislation in order to minimise the period during which the authorities to be abolished continued to administer their functions. It was clearly impossible to legislate in the present Parliament. Even legislation presented in January 1984

**CONFIDENTIAL**

could probably not effect abolition earlier than April 1986. It was open to doubt whether January 1984 was a realistic target in any event; it would certainly require early announcement of decisions so that the preparation of legislation could be put in hand and outside interests could be consulted.

e. An announcement that the GLC and the Metropolitan County Councils were to be abolished would lead to pressure for other changes in local government organisation. This would have to be resisted.

THE PRIME MINISTER, summing up this part of the discussion, said that the Cabinet endorsed the proposals in C(83)1 for the reorganisation of transport in London. The Secretary of State for Transport should arrange for the work to give effect to this decision, which was independent of the other matters before the Cabinet, to be put in hand. The Cabinet were not yet ready to decide whether the GLC and the Metropolitan County Councils should be abolished. Before they could do so they would need to study further the detailed consequences of abolition for the services for which the GLC (including the ILEA) and the Metropolitan County Councils were currently responsible. The Secretary of State for the Environment should arrange for the necessary studies to be carried out within Government. These studies should help to ensure that the period required for the preparation of legislation would be shortened, if the Cabinet eventually decided upon abolition.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of this part of their discussion.
2. Approved the proposals in C(83)1 regarding the organisation of transport in London.
3. Invited the Secretary of State for the Environment to arrange for officials of the Departments concerned to carry out studies of the detailed consequences of a possible decision to abolish the Greater London Council and the Metropolitan County Councils on the lines indicated by the Prime Minister, and to report the conclusions of the studies in due course.
4. Took note that the Prime Minister would consider how further Ministerial discussion of this subject could best be arranged.

In discussion of rating reform the following main points were made:

f. There was widespread and justifiable dissatisfaction with the rates as the sole form of raising revenue for local government. Apart from the disadvantages of any form of property taxation, they were seen as not sufficiently closely related to ability to pay; the distribution of the burden of rates was, and was seen as, inequitable; and as the system had developed there was not a sufficient correlation between taxation and representation. It had to be accepted that it had proved impossible to identify a more satisfactory form of revenue raising for local Government. It was politically imperative, however, to limit the burden of local rates.

Unless the Government succeeded in doing so it would be accused of betraying its pledges. Action might have to be taken gradually over a long period, perhaps a decade or more. Further study should be given to such approaches as freezing rates at their existing level (or drastically limiting increases in them) in combination with, for example, giving local authorities additional sources of revenue, defraying a larger part of local expenditure through the Rate Support Grant, relieving local authorities of some of their statutory obligations, or transferring certain responsibilities from local to central Government. Some of these alternatives would entail increases in the taxes levied by central Government. This would not be popular, but it might be less unpopular than further increases in local rates.

g. Such an approach might also need to be coupled with central control of expenditure by individual local authorities. A scheme on these lines was discussed in the MISC 79 report. It was technically feasible; but it raised serious constitutional and other difficulties and had not found favour with the majority of the Group. Nevertheless, it could be developed further if the Cabinet so wished.

h. There was now widespread acceptance among informed opinion that local rates could not be abolished. But it might well be possible to find ways of supplementing them by new methods of local taxation and so allowing their burden to be limited. Another approach might be to make the incidence of rates more equitable in terms of ability to pay, for example by extending the system of rate rebates.

THE PRIME MINISTER, summing up this part of the discussion, said that the Cabinet agreed that the recommendations of MISC 79 on local rates were an inadequate response to the demands of the situation. It was essential to go further. She would arrange for the issues to be considered by the Ministers most closely concerned. Until they had been resolved it would be wrong to proceed with consideration of the minor recommendations on reforms to the rating system recommended by MISC 79.

The Cabinet -

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

6. Took note that the Prime Minister would consider how further Ministerial discussion of this subject could best be arranged.

Cabinet Office

20 January 1983

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

COPY NO

28

CABINET

LIMITED CIRCULATION ANNEX

CC(83) 1st Conclusions, Minute 6

Thursday 20 January 1983 at 10.00 am

PARLIAMENTARY CONTROL OF EXPENDITURE (REFORM) BILL

Previous Reference: CC(82) 53rd Conclusions, Minute 6

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(83)2) about the Parliamentary Control of Expenditure (Reform) Bill. They also had before them a note by the Secretary of the Cabinet (C(83)4) to which was attached a copy of the text of the Bill as it had been published on 18 January.

THE CHANCELLOR OF THE EXCHEQUER said that following the Cabinet's previous discussion he had held several meetings with Mr Norman St John-Stevas MP and other promoters of the Bill. The Bill contained many technical defects, which had been drawn to the attention of Mr St John-Stevas. Its substance was also in many respects incompatible with the position taken by the Government. On the appointment of the Comptroller and Auditor General (C & AG) Mr St John-Stevas had previously given the impression that the Bill would provide for advice to be tendered to The Queen on a Motion by the House of Commons moved by the Prime Minister after consultation with the Chairman of the Public Accounts Committee (PAC). In fact, the Bill provided that it should be moved by the Chairman of PAC, and made no mention of the Prime Minister. This raised the serious possibility that conflicting advice might be tendered to The Queen by the House of Commons and the Prime Minister. The Bill also left doubt about the independence of the C & AG from directions by the House of Commons or its Committees. The Bill, in accordance with indications previously given by Mr St John-Stevas, did not provide that the C & AG should 'follow public money wherever it went': it did not provide for him to be able to investigate the affairs of all recipients of public funds. But it still provided for access to the books of the nationalised industries, of publicly owned companies, and of any company of which more than 50 per cent of the voting shares were publicly owned. This access appeared to extend to matters of policy. He had told the Bill's supporters that although the Government did not intend to oppose Second Reading, 'a wide gap remained between the Bill's provisions and the Government's views of what was desirable, not least in the interests of promoting the efficiency of the nationalised industries. He had prepared a note setting out the Government's arguments; the text had been circulated to the Cabinet with his letter of 17 January addressed to the Secretary of State for Industry. It had also been given to those among the Government's supporters in the House of Commons who were sympathetic to the Government's position on the Bill. There was a case for sending it to all the Government's supporters in the House of Commons; but on balance he did not favour this course. Ministers should consider how to handle Committee Stage after the Bill had received its Second Reading: there would then be a better measure of the support for the Bill. In preparation, officials should be asked to draft amendments to remove technical faults and to implement the Government's views on the clauses where there were difficulties of substance.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet broadly endorsed the proposals in C(83)2 for handling the Bill. The Cabinet agreed that it would not be appropriate for a Minister to send briefing material on the Bill's defects to all the Government's supporters in the House of Commons; but the Chancellor of the Exchequer should consider whether such material could be disseminated by other means. The Government should at this stage avoid a frontal attack on the Bill: it would be better to concentrate on criticisms of detail. But the Parliamentary tactics were difficult and would need careful consideration. She would set up a small group of Ministers, under the chairmanship of the Chancellor of the Exchequer, to co-ordinate the Government's tactics. The Lord President of the Council and the Parliamentary Secretary, Treasury, should consider who should speak for the Government during the passage of the Bill: there might, in particular, be advantage in having one or more Ministers from the Departments with sponsoring responsibilities for nationalised industries on the Committee which considered it.

The Cabinet -

1. Took note, with approval, of the Prime Minister's summing up of their discussion and invited the Chancellor of the Exchequer to be guided accordingly.
2. Took note that the Prime Minister would consider how Ministerial discussion of the co-ordination of the Government's tactics could best be considered.
3. Invited the Lord President of the Council and the Parliamentary Secretary, Treasury, in consultation with the Chancellor of the Exchequer and other Ministers concerned, to consider who should speak for the Government during the various stages of the Parliamentary Control of Expenditure (Reform) Bill.

Cabinet Office

21 January 1983