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CC(83) 17th  
Conclusions

COPY NO 79

CABINET

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

TUESDAY 10 MAY 1983

at 11.00 am

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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 Patrick Jenkin MP  
Secretary of State for Industry

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

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP  
Attorney General (Items 3 and 4)

The Rt Hon Michael Jopling MP  
Parliamentary Secretary, Treasury

Lord Bellwin  
Minister of State, Department of  
the Environment (Item 3)

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson  
Mr M S Buckley

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PARLIAMENTARY  
AFFAIRS

1. THE LORD PRESIDENT OF THE COUNCIL reported that arrangements had been reached with the Opposition to expedite the passage, before the Dissolution of Parliament, of a number of Bills, other than the Finance Bill.

THE CHIEF SECRETARY, TREASURY, said that representatives of the Opposition in the House of Commons were pressing for the omission of certain provisions in the Finance Bill as a condition of their co-operation in facilitating its passage before the Dissolution; they were even seeking the omission of some provisions which had been approved in Committee of the whole House. They justified this attitude by reference to what had happened before the General Election of 1979. But in that year the then Administration had lost its majority in the House of Commons and had secured no Parliamentary approval for budgetary proposals. The true precedent was 1970, when the then Conservative Opposition had facilitated the passage of a substantial Finance Bill.

THE PRIME MINISTER, summing up the discussion, said that if necessary the Government might have to be prepared to use its majority in order to secure the passage of the Finance Bill in a form containing at least the majority of its existing provisions, although the Cabinet recognised that this might jeopardise the co-operation of the Opposition in the passage of other Bills. Meanwhile, the Chief Secretary, Treasury, should continue to negotiate with representatives of the Opposition with a view to securing a satisfactory agreement on the passage of the Finance Bill.

The Cabinet -

Took note, with approval, of the Prime Minister's summing up of their discussion, and invited the Chief Secretary, Treasury, to be guided accordingly.

REVIEW BODY  
REPORTS

2. The Cabinet considered a note by the Secretary of the Cabinet (C(83) 14) about the recommendations contained in certain Review Body reports.

The Cabinet's discussion and conclusions reached are recorded separately.

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LOCAL  
GOVERNMENT  
ORGANISATION  
AND FINANCE

Previous  
Reference:  
CC(83) 1st  
Conclusions,  
Minute 7

Rates and  
Local  
Taxation

3. The Cabinet considered memoranda by the Secretary of State for the Environment about rates and local taxation (C(83) 15) and the future of the Greater London Council (GLC) and the Metropolitan County Councils (MCCs) (C(83) 13); and a memorandum by the Secretary of State for Education and Science about the future of the Inner London Education Authority (ILEA) (C(83) 12).

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Ministerial Sub-Committee on Local Government Finance (E(LF)) had now reached conclusions, which were the basis of his present proposals. Although the Government had had a certain degree of success in containing local government expenditure and rates, there was still too much waste and inefficiency among local authorities; and some authorities continued to pursue extravagant and irresponsible spending policies. To deal with this it was necessary to take power for the Government directly to control the rate increases levied by individual local authorities. There was strong presentational attraction in a general scheme applying to all authorities. But the limit on permissible rate increases under such a scheme would have to be set low; many authorities would apply for derogations from the limit; and there was a serious danger that the resulting workload would be unmanageable. Aggrieved local authorities could challenge the Government's decisions in the courts: even though it was probable that most such challenges would ultimately fail, the need to deal with them was a serious practical constraint. A general scheme could well alienate many of the Government's supporters in local government, and might be difficult or impossible to carry through Parliament. He therefore recommended that the Government should initially introduce a scheme of selective control aimed at a limited number of local authorities with the highest levels of spending. All authorities would be examined against published criteria. Those whose expenditure exceeded the limits set by the criteria would be required to submit budgets to the Secretary of State for detailed scrutiny not later than the autumn preceding the relevant financial year. The Secretary of State would be free to limit or reduce prospective rate calls, subject to the approval of Parliament. If a selective scheme was in operation, other authorities would be likely to do their best to avoid the risk of Government intervention. But in case the selective scheme failed to promote effective self-discipline and restraint by local government as a whole, the Government should take powers in the same Bill to introduce a general as well as a selective scheme of control. These proposals would entail a shift in the constitutional balance between central and local government; and would have implications for the position of Ministers with responsibilities for individual local authority services, especially in England, whose decisions would in future be subject to the decisions of the territorial Secretary of State on permissible total levels of expenditure. But he believed that the difficulties involved were not insuperable; and they did not outweigh the need to be seen to be acting effectively against excessive rate burdens.

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He recommended that most of the reforms of the rating system proposed by MISC 79 should be adopted: each of the main tiers of local government should provide a separate statement for each ratepayer, with a unified single bill; council tenants should receive annual rate statements; local authorities should be put under a statutory obligation to consult local representatives of industry and commerce before setting rates; and more businesses should be given the right to pay rates by instalment. In addition, the discretion of local authorities to rate empty industrial premises should be removed as soon as possible. It was open to question whether it was necessary to pursue the proposed scheme of discounts on rates for single-person households. This scheme raised problems of unfairness between categories of ratepayer. If the excessive burdens imposed by the present system were to be mitigated by a rate control scheme such as he proposed, discounts would be less necessary. On the other hand, he recognised that his proposals contained relatively few items likely to attract individual ratepayers; and there was a widespread public expectation that some scheme of discounts would be introduced.

Legislation to give effect to the proposals in C(83) 15 should be introduced in the next Session of Parliament.

Dissatisfaction with rates was such that it might still be necessary to seek a new supplementary tax or taxes which could allow the Government to place a ceiling on rates and might lead to their eventual disappearance. However, none of the possible supplementary taxes could be introduced before 1988, and all were open to powerful objections. The Government should therefore do no more at this stage than indicate that it would give further consideration to the long-term future of the rates. Paragraph 24 of C(83) 15 put forward a possible form of words to announce the Government's decisions.

THE SECRETARY OF STATE FOR SCOTLAND said that he supported the proposals in C(83) 15: although he believed that many ratepayers would be disappointed with them, they were the best that could be achieved. He would wish to discuss with the colleagues concerned analogous proposals for Scotland: in particular, he wished to make changes in Scottish valuation procedures and methods of appeal.

In discussion there was general agreement that the proposal to control rate increases was the most satisfactory available solution to the problem of rates. It should not be presented as an interim solution: in particular, it would be unwise to suggest that the Government might later introduce new forms of local taxation, as the words proposed in paragraph 24 of C(83) 15 implied. It was also desirable that the power to activate the proposed general scheme of rate control should be reserved to the territorial Secretary of State.

Views were divided on the proposed scheme of discounts on rates for single-person households. That single people might pay the same in rates as families, perhaps containing several earners, and making heavy calls on local services, was one of the most widely-spread grievances against the rating system. The proposed discount scheme would appeal to many pensioners. Its net cost would be small, or even zero since it would be taken into account in the annual rate support

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grant settlement. On the other hand, it was argued that the Government already gave adequate assistance in this area through the rate rebate scheme. The proposed new discount scheme would create anomalies which would be hard to defend. There was no case for reducing the rate bills of rich single people or the young. There was a stronger case for helping single pensioners or pensioner couples; but even this would be open to significant objection; and a concession to such groups would be hard to contain. The cost of any discount scheme would fall on the generality of taxpayers or ratepayers, including industry and commerce. It would tend to produce higher nominal levels of rates. A possible alternative approach might be to prescribe that no one need pay more than a stated percentage of gross income in rates and to give assistance, through the Unified Housing Benefit scheme or otherwise, to achieve this result. But such an approach would benefit only a trivial number of people and would be vulnerable as a mere cosmetic device.

Future of the  
GLC and the  
MCCs

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that MISC 79 had recommended that the GLC and the MCCs should be abolished. The Cabinet had taken no decision on that recommendation. They had instead asked him to arrange for further studies to be carried out within Government with a view to shortening the period required for the preparation of legislation if the Cabinet eventually decided on abolition. An interdepartmental group of officials had carried out this remit: their report was attached to C(83) 13.

He remained convinced that it would be right to abolish the councils, as MISC 79 had recommended. It would be possible to devise alternative arrangements for running the services for which the councils were now responsible. The arrangements recommended by officials involved the creation of several joint boards, that is, independent corporate entities, controlled by representatives of, but legally separate from, the relevant boroughs or districts. This was unattractive. He invited his colleagues to review the proposals with a view to transferring more functions to the boroughs and districts. It might also be necessary to consider the case for placing any new joint boards under some form of financial control.

Legislation to abolish the GLC and MCCs could not be effective before 1 April 1986. It would therefore probably be necessary to extend the term of office of members of the relevant authorities, rather than hold elections in May 1985. Legislation in the 1983-84 Session would allow little time for consultation with the interests affected, and would carry a serious risk of defective drafting. It would therefore be better to legislate early in the 1984-85 Session. To guard against the possibility of obstruction by the authorities due to be abolished, the Government should make contingent preparations for a short Bill of counter-measures, which could be introduced if necessary in 1983-84. Even on the timetable he proposed, Ministers would need to press ahead quickly with the detailed decisions on the reallocation of functions, the composition of new joint boards, the handling of staff transfers, and the approach to countering obstruction; and with preparing a draft White Paper describing the Government's proposals in detail. These tasks should be taken on by a group of Ministers directly concerned, having regard to the interdepartmental report. The Government should announce its proposals fully and begin consultations not later than October 1983, or earlier if there was a need to link this with other announcements on local government finance.

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Future of  
the ILEA

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the ILEA was legally a special committee of the GLC. Abolition of the GLC would therefore open the way for improving the arrangements for education in inner London. It would be desirable to retain a single education authority for the area. This arrangement had proved advantageous in securing good and economical further and higher education, and in redistributing the exceptionally high rateable resources of Westminster and the City of London. But the present constitution of the ILEA had shown glaring weaknesses. Its schools, notably the secondary schools, were not performing well despite very high expenditure and much waste. The ILEA should be replaced by a joint board, consisting entirely of nominees of the 12 inner London boroughs and the City of London. The authorities whose ratepayers paid the education precept would then in effect be responsible also for the education element in their rate levy. This bringing together of managerial and financial responsibility would encourage a greater degree of financial prudence. The ratepayers of Westminster and the City would pay about half the joint board's rate-borne income. This exceptional situation might justify an arrangement allowing the City and Westminster more generous representation than would follow from the normal principle that each elector's vote should have, as nearly as possible, equal weight. Further work would be necessary to devise a satisfactory scheme. If it turned out that the joint board did not budget more prudently than the ILEA, it would be open to the Government to consider making its precept subject to control by the holder of his office.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet broadly approved the proposals in C(83) 15. It was agreed that the power to activate the proposed general scheme of rate control should be reserved to the territorial Secretary of State. The Cabinet were not, however, ready to take a decision on the proposed scheme of discounts on rates for single-person households. Several members of the Cabinet saw serious objections to this proposal and would wish alternatives to be considered, such as improving the rate rebate scheme. When the proposals in C(83) 15 were announced, it would be important to make it clear that they were the Government's considered response to the rating problem; and that the Government expected that response to be successful and did not intend to continue to search for alternative or supplementary forms of local taxation. The Secretary of State for the Environment should accordingly revise the draft form of words in paragraph 24 of C(83) 15. After the General Election, it would be necessary to give further consideration to the system of valuation for rates: the valuation of property for rating now rested on a manifestly unsatisfactory basis. The Secretary of State for the Environment should arrange for the problem to be studied and put proposals to his colleagues in due course. The Secretary of State for Scotland should agree with the Ministers concerned appropriate changes on the Scottish rating system reflecting the Cabinet's decisions on the proposals in C(83) 15. The Cabinet approved the proposals in C(83) 13. They also approved the proposals in C(83) 12, subject to the point that it would not be appropriate to raise in public discussion either the possibility of giving individual boroughs the right to secede from the joint board or the possibility of giving some form of "weighted vote" to the representatives of Westminster and the City of London on the new joint board; this was one example of the general question of the appropriate membership of the joint boards which would take over some

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or all of the responsibilities of the GLC and the MCCs after these had been abolished. The joint boards, including the successor body to the ILEA, should be subject to the selective and general schemes of control of rate increases which the Cabinet had approved.

The Cabinet -

1. Approved the proposals in C(83) 12, 13 and 15, subject to the points made by the Prime Minister in her summing up.
2. Invited the Secretary of State for the Environment to circulate for approval a revised version of the form of words proposed in paragraph 24 of C(83) 15 taking account of the points made in discussion and in the Prime Minister's summing up.
3. Invited the Secretary of State for Scotland to agree with the Ministers concerned changes in the Scottish rating system reflecting the Cabinet's decisions on the proposals in C(83) 15.
4. Invited the Secretary of State for the Environment, in consultation with the other Ministers concerned, to reconsider the proposed scheme of discounts for single-person households and to bring forward revised proposals for consideration after the General Election.
5. Invited the Secretary of State for the Environment, in consultation with the Secretaries of State for Scotland and Wales and the Chief Secretary, Treasury, to arrange for officials to review the existing system of valuation of property for rating; and to report in due course.

4. The Cabinet considered a memorandum by the Secretary of State for Employment (C(83) 16) on trade union legislation.

The Cabinet's discussion and conclusions reached are recorded separately.

5. The Cabinet agreed to meet again on Thursday 12 May, when they would dispose of any outstanding items of business. If necessary, the Cabinet could also meet again on Tuesday 17 May.

Cabinet Office

11 May 1983

TRADE UNION  
LEGISLATION

FUTURE  
MEETINGS



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CABINET

LIMITED CIRCULATION ANNEX

CC(83) 17th Conclusions, Minute 2

Tuesday 10 May 1983 at 11.00 am

REVIEW BODY  
REPORTS

The Cabinet considered a note by the Secretary of the Cabinet (C(83) 14) about the recommendations contained in certain Review Body reports.

THE PRIME MINISTER said that the Cabinet had to consider what action should be taken in relation to the recommendations of the Armed Forces Pay Review Body (AFPRB), the Doctors' and Dentists' Review Body (DDRB) and of the Top Salaries Review Body (TSRB) in two reports, one relating to the higher Civil Service, senior officers in the armed forces and the judiciary and the other relating to Parliamentary pay and allowances and Ministerial salaries. The recommendations had been considered by the Ministers directly concerned meeting under her chairmanship at the end of the previous week before decisions were reached about the timing of a General Election. It had been agreed that the AFPRB report which recommended an average increase of 7.2 per cent should be implemented in full from 1 April 1983 in line with the Government's commitments. The Secretary of State for Defence was discussing with Treasury Ministers the implications of the additional cost for cash limits. The DDRB had recommended an increase for the current year of 6 per cent plus a further 1 per cent in respect of supplementary payments for junior hospital doctors and dentists and the restoration of the earlier abatement of their recommendations which now amounted to 2.7 per cent. It was probable that, if the abatement was not made good, the DDRB would resign and the doctors and dentists would no longer have confidence in the review body system; there was also the danger of reopening the issue of future pay arrangements for the nurses who had been offered a review body on the model of the DDRB. It was therefore proposed that the recommended increases for the current year should be implemented from 1 April 1983 and that the abatement should be made good from 1 January 1984. In the case of the TSRB report on the higher Civil Service, senior officers in the armed forces and the judiciary it was proposed that, as in the case of the DDRB, the recommended increase of 6.9 per cent in the current year should be implemented from 1 April 1983 and the abatement, which was slightly less than 5 per cent, should be made good from 1 January 1984. In the case of the TSRB report on Parliamentary pay and allowances it was proposed that the Government should not announce any conclusions but should refer to the exchanges in the House on 5 May when there had been a request for the Government to consult widely in the House. The Cabinet should however be invited to make it clear that the increases proposed for Cabinet Ministers were too large and would not be accepted. The Cabinet would wish to review the provisional conclusions reached in the light of the decision which had now been announced about the date of the Election.

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In discussion, the following points were made -

a. The Government was committed to implementing the reports of the AFPRB, and the recommendations should be accepted in full.

b. As to the DDRB report, it was arguable that the recommendations for current increases should be implemented and a decision about the abatement deferred until after the Election. But deferment without any decision could well cause the DDRB to resign, with consequences for the nurses' acceptance of their proposed review body; and if a decision was deferred, the restoration of the abatement could become an issue in the Election. The course proposed, of deferring payment of the abatement until 1 January 1984 and announcing that forthwith, seemed on balance to be the best course to pursue.

c. There were sound management reasons for implementing the recommendations in full and as soon as possible of the TSRB report on the salaries of the higher Civil Service, senior officers in the armed forces and the judiciary; and, since the TSRB abatement in 1982 had been justified by reference to the DDRB abatement, there was a strong case in principle for consistent treatment of the recommendations in the two reports. There would also be considerable advantage in getting rid of the TSRB abatement before the next year's report which could then start from a clean slate. On the other hand the Government would be criticised for announcing increases for top salary groups at the beginning of a General Election campaign. If decisions were to be deferred until after the Election on the TSRB report relating to Parliamentary pay and allowances, it would be appropriate to defer decisions on the other TSRB report also. There would be an opportunity to look again at the proposals set out in C(83) 14 after the Election, and any increase in respect of 1983 would be backdated to 1 April.

It was reasonable, in view of the imminent dissolution of Parliament, to defer until the next Parliament action on the recommendations of the TSRB report on Parliamentary pay and allowances. It should however be made clear that members of the Cabinet not only regarded the increases proposed for Cabinet Ministers as being of a magnitude which they could not possibly accept but also trusted that Members of Parliament would take a similar view about the recommendations affecting their own salaries. It would be desirable to indicate that any decisions reached in the new Parliament about re-settlement allowances should apply also to Members of the present Parliament in relation to their present salaries.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the AFPRB's recommendations should be accepted in full from 1 April 1983. In the case of the DDRB the annual increases recommended of 6 per cent overall with an additional 1 per cent for payments to junior hospital doctors and dentists should be implemented from 1 April 1983 and the 2.7 per cent abatement should be restored as from 1 January 1984. The

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two TSRB reports should remain for consideration after the Election. In the case of the TSRB report on Parliamentary pay and allowances, the Government's attitude to the salary increases proposed for Cabinet Ministers and for Members of Parliament should be made clear on the lines indicated in discussion. All four reports would be published on the afternoon of Wednesday 11 May and she would make the Government's views known in a Written Parliamentary Answer on the lines of Annex B to C(83) 14, amended as appropriate.

The Cabinet -

1. Agreed that the reports of the Armed Forces Pay Review Body, the Doctors' and Dentists' Review Body and the reports of the Top Salaries Review Body on the higher Civil Service, senior officers of the armed forces and the judiciary and on Parliamentary pay and allowances should be published on the afternoon of Wednesday 11 May.
2. Agreed that the Government's views on the reports should be made known by the Prime Minister on the lines indicated in her summing up of the discussion in a Written Parliamentary Answer to coincide with publication of the reports.

Cabinet Office

12 May 1983

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COPY NO 27

CABINET

LIMITED CIRCULATION ANNEX

CC(83) 17th Conclusions, Minute 4

Tuesday 10 May 1983 at 11.00 am

TRADE UNION  
LEGISLATION

The Cabinet considered a memorandum by the Secretary of State for Employment (C(83) 16) on trade union legislation.

THE SECRETARY OF STATE FOR EMPLOYMENT said that the Ministerial Committee on Economic Strategy had agreed at its meeting on 28 April 1983 (E(83) 4th Meeting) on proposals relating to trade union elections and pre-strike ballots but had left over for further consideration what action should be taken in relation to trade unions' political funds and political levies and to deter or prevent strikes in essential services. So far as political funds were concerned, he proposed that any such fund established by a trade union must be authorised by a ballot of members not simply on a once-for-all basis as under present legislation but every ten years. In relation to the other outstanding matters, there had been a discussion with other Ministers closely concerned under the Prime Minister's chairmanship and proposals had been worked out for approval by the Cabinet.

In the case of the political levy it was proposed that the Government's position should be made known on the following lines: that consultations on the Green Paper had confirmed that there was widespread disquiet about how the right of individual trade union members not to pay the political levy operated in practice through the system of contracting out; he therefore intended to invite the Trades Union Congress to discuss the steps which the trade unions themselves could take to ensure that individual members were freely and effectively able to decide for themselves whether or not to pay the political levy. In the event that the trade unions were not willing to take such steps, the Government would be prepared to introduce measures to guarantee the free and effective right of choice.

In the case of strikes in essential services he proposed that the Government's attitude should be made known on the following lines: that essential services would be affected by the proposal to remove immunity in the absence of pre-strike ballots; and that the Government would consult further about the need for industrial relations in specified essential services to be governed by adequate procedural agreements, breach of which would deprive industrial action of immunity.

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THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that the Government's policy relating to trade unions' political funds and political levies, and to strikes in essential services should be made known, in the course of the General Election campaign, on the lines set out by the Secretary of State for Employment. If in relation to the political levy the question was raised whether the statement of policy meant that the Government would, if necessary, be prepared in the next Parliament to replace contracting out by contracting in, the answer should be in the affirmative. The policy statement had been formulated in such a way that it would not be possible for the Opposition in the next Parliament to argue that the incoming Government did not have a mandate, if it so wished, to put an end to the system of contracting out.

The Cabinet -

Took note with approval of the Prime Minister's summing up of their discussion.

Cabinet Office

12 May 1983