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CABINET

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

THURSDAY 26 JANUARY 1984

at 10.00 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham
Lord Chancellor

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

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

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

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

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

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Hon Viscount Whitelaw
President of the Council

Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs

Hon Nigel Lawson MP
Chancellor of the Exchequer

Hon James Prior MP
Secretary of State for Northern Ireland

Hon Michael Heseltine MP
Secretary of State for Defence

Hon Nicholas Edwards MP
Secretary of State for Wales

Hon John Biffen MP
Privy Seal

Hon Lord Cockfield
Chancellor of the Duchy of Lancaster

Hon Michael Jopling MP
Secretary of State for Agriculture, Fisheries
and Food

THE FOLLOWING WERE ALSO PRESENT

Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Minister of State, Department of Employment
(Item 1)

SECRETARIAT

Sir Robert Armstrong
Mr P L Gregson (Item 4)
Mr A D S Goodall (Items 2 and 3)
Mr D F Williamson (Items 2 and 3)
Mr M S Buckley (Item 4)
Mr C J S Brearley (Item 1)
Mr R Watson (Item 1)

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

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he was due to make a statement to the House that afternoon about the Report by Sir James Hennessy on the escape made from the Maze prison on 25 September 1983. The Report was highly critical of the management of the prison over a number of years and identified many deficiencies in physical security and in procedures. It was also critical of many of the personnel on duty that day. The Governor of the prison had resigned and an Assistant Governor and Principal Officer had already been moved. Disciplinary proceedings might be brought against a number of officers, but these would have to await the outcome of separate inquiries. The Report made 73 recommendations, all of which he had accepted and some of which had already been put into effect. His statement would not be defensive, but it would bring out the special features of the Maze prison, which were emphasised in the Report itself. It held the largest concentration of terrorists in Western Europe, in the midst of a very troubled community. The prison itself had been constantly troubled by prolonged and widespread protests, which were not comparable with anything happening in any other United Kingdom prison. The Northern Ireland Prison Service had been expanded from 300 in 1970 to 3,000 today, and it had to be accepted that the quality was not uniformly good. It also had to be borne in mind, however, that 22 members of the Prison Service had lost their lives as a result of terrorist action, including a Deputy Governor and others from the Maze.

The Cabinet -

Took note.

2. THE FOREIGN AND COMMONWEALTH SECRETARY said that he would be circulating for the information of colleagues a background note on the Government's decision, announced the previous day, to exempt the employees of the Government Communications Headquarters (GCHQ) at Cheltenham from the application of the Employment Protection Acts and to withdraw their right to belong to national trades unions. This decision had been under consideration for some time. Industrial action by the Civil Service unions at GCHQ in 1981 and 1982 had involved heavy work loss. In the course of the industrial action in the Civil Service in 1981 the unions had selected GCHQ as an area for disruption, and had caused serious interruptions to an operation which of its nature had to be continuous. Similar exceptions had been made by previous (Labour) Governments in respect of other intelligence and security services, but it had not been possible to do the same for GCHQ while it was not publicly acknowledged by the Government as an intelligence organisation. It was because this acknowledgment had been made following the recent conviction of a GCHQ employee for espionage that the action in respect of GCHQ had now been taken. The Government's decision was in no way linked to the controversy over the introduction of polygraph or "lie detector" tests for GCHQ employees on an experimental and limited basis. The determining consideration for the Government's decision had been the way

in which the Civil Service unions had exploited the sensitivity of GCHQ in 1980-81 by organising disruption there as a means of pressure on the Government in an industrial dispute in which GCHQ employees were not otherwise involved. It was important to make it clear publicly that the Government's action had been taken strictly on security grounds and would not be extended outside the security and intelligence areas.

THE FOREIGN AND COMMONWEALTH SECRETARY said that the previous week had seen what appeared to be a modest beginning of an improvement in the atmosphere of East-West relations. The speech of the Soviet Foreign Minister, Mr Gromyko, at the opening session of the Conference on Disarmament in Europe (CDE) in Stockholm had been an uncompromising response to the United States President's speech of 16 January, but the interview with the Soviet President, Mr Andropov, published in Pravda on 24 January was a little more conciliatory. The five-hour conversation between Mr Gromyko and the United States Secretary of State, Mr Shultz, on 18 January had covered a wide range of subjects in a reasonably constructive way, including the Soviet Government's readiness to resume the Mutual and Balanced Force Reduction negotiations in Vienna. But there was no sign yet of Soviet readiness to return to the Strategic Arms Reduction Talks or the negotiations on Intermediate Range Nuclear Forces. In his own meeting with him, Mr Gromyko had refrained from bluster although he had been totally dismissive on human rights cases. One of the arguments for broadening the range of Ministerial contacts with the Soviet Union was so as to ensure that Mr Gromyko was not the sole channel of communication with the Soviet leadership. At Stockholm the CDE had got off to a good start from the Western point of view and Alliance cohesion had been maintained. The sixtieth anniversary of the establishment of diplomatic relations between the United Kingdom and the Soviet Union would fall on 2 February and there would be official functions to mark the occasion both in London and in Moscow. It would be important to co-ordinate any Ministerial attendance at Soviet functions in London, which should not exceed the level of Soviet governmental attendance at British functions in Moscow. It would be helpful if colleagues who received invitations to Soviet functions consulted the Foreign and Commonwealth Office before replying.

THE FOREIGN AND COMMONWEALTH SECRETARY said that there had been talks in London on 20 January with the Lebanese Foreign Minister, Dr Salem, and the United States Special Representative in the Middle East, Mr Rumsfeld. The prospects for progress in the reconciliation process and in implementing the Security Plan in the Lebanon to the point at which it might be possible to withdraw the Multinational Force (MNF) remained poor. The moderate Arab States were anxious that the MNF should stay. Domestic public opinion in all four contributing countries was uneasy about the MNF, and this unease would be increased if there were any further disasters. For the moment it was necessary to maintain the MNF commitment, while working to promote the reconciliation process and to create the conditions in which the MNF could be replaced by a United Nations force. The Foreign and Commonwealth Office was in close touch with the Governments of the contributing countries to this end. Meanwhile, the Lebanese Government had been warned that attempts by the Lebanese army to extend their

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authority by force in the southern suburbs of Beirut and in the Shouf could increase the risk to the British MNF contingent and might make it necessary to reconsider the contingent's future.

The Cabinet -

1. Took note.
2. Invited any Minister invited to attend Soviet functions in connection with the sixtieth anniversary of the establishment of Anglo-Soviet diplomatic relations to consult the Foreign and Commonwealth Secretary before responding.

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3. THE PRIME MINISTER said that she had met President Mitterrand of France on 23 January as part of the bilateral contacts which he was undertaking now that France held the Presidency of the Council of Ministers. President Mitterrand was conscious of the risk, particularly to the European Parliament electoral campaign, of a failure of the European Council under his chairmanship, and seemed to want a settlement in March. He had not yet fully grasped, however, one of the fundamental conditions which the United Kingdom had set for a solution. There could be no consideration by the United Kingdom of an increase in the Community's own resources if there were not a different and fairer sharing of the budgetary burden. The United Kingdom was looking for a long-term solution which corrected the budget inequity, taking account of capacity to pay. She had made clear to President Mitterrand that there was no possibility of United Kingdom agreement to a settlement which included only a temporary, ad hoc relief to the budgetary problem but a permanent increase in the Community's own resources. The present financing arrangements were not in the Treaty of Rome itself. Other member states were seeking a major change in the Community's Own Resources Decision of 1970 by raising the 1 per cent ceiling on Value Added Tax and the United Kingdom was proposing other changes in the same Decision. She had also made clear to President Mitterrand that she did not share his view that the European Council in Athens had been close to an agreement. The differences between member states had been substantial.

THE FOREIGN AND COMMONWEALTH SECRETARY said that at the Council of Ministers (Foreign Affairs) on 23 January the French Presidency had made clear how it intended to carry forward the post-Stuttgart negotiations. The next steps would be a series of bilateral contacts and an informal meeting of Foreign Ministers on 28-29 February. It would be very hard work to get an agreement at the European Council in March covering the main points of the post-Stuttgart negotiations without more intensive preparation. He had pressed for further discussion within the Community. It was probable that France was pursuing two objectives at the same time, aiming for an agreement in March but also preparing the way for placing responsibility for failure on the British Government if no agreement were reached. In discussion it was pointed out that it would be important to continue to involve Finance Ministers in the work, particularly since the proposal of the French Finance Minister, Monsieur Delors, on control of spending had been a positive element.

The Cabinet -

Took note.

4. The Cabinet considered a memorandum by the Secretary of State for the Environment and the Secretary of State for Wales (C(84) 1) on the date of the next revaluation for rates of non-domestic property in England and Wales. Their discussion and the conclusions reached are recorded separately.

Cabinet Office

26 January 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 3rd Conclusions, Minute 4

Thursday 26 January 1984 at 10.00 am

The Cabinet considered a memorandum by the Secretary of State for the Environment and the Secretary of State for Wales (C(84) 1) on the date of the next revaluation for rates of non-domestic property in England and Wales.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the last general revaluation of property for rates in England and Wales had taken place in 1973. The Government had publicly announced, in the White Paper on Rates (Cmnd 9008), its decision that rates should remain for the foreseeable future the main source of local revenue for local government. This imposed an obligation on the Government to correct distortions in the tax base; and Cmnd 9008 had undertaken that the work required for a non-domestic revaluation would be set in train. The only question was the effective date of the revaluation. He favoured 1 April 1987, the earliest feasible date. The Confederation of British Industry and other representatives of industry and commerce, the local authority associations, and the professional bodies interested had all welcomed the recognition that a non-domestic revaluation was needed and had pressed for it to take place as soon as possible. On the other hand a revaluation would produce substantial changes in relative rateable values between different types of property and different parts of the country, and thus substantial shifts in the distribution of the burden of non-domestic rates. Older industry and small businesses outside city centres would benefit from a revaluation. Large retail operations and commercial properties on prime sites would tend to lose. The West Midlands and the North of England would tend to gain and the South of England to lose. Complaints from those who lost would no doubt outweigh gratitude from those who gained. It might therefore be argued that a more suitable effective date would be April 1989. But it would not be easy to justify such a delay against criticism from those who knew that their rates were excessive because they were based on an out-of-date valuation. The issues raised by a non-domestic revaluation were quite different from the much more difficult questions that would be posed by a domestic revaluation, on which he intended to consult colleagues in due course; and that mechanisms existed to ensure that domestic ratepayers were not affected even indirectly by a non-domestic revaluation.

Some 700 additional staff, 400 of them professionally qualified, would be required in the Valuation Office, Inland Revenue, for the non-domestic revaluation. They would need to work for two years before the revaluation took effect, and would then have to deal with the inevitable appeals work which would follow on the introduction of a new list. The Chief

Secretary, Treasury considered that there was nothing to choose between 1987 and 1989 for this purpose: the staff would in either case affect the Civil Service manpower figures at 1 April 1988.

A decision should be announced as soon as possible after the Rates Bill entered Committee.

THE SECRETARY OF STATE FOR WALES said that he strongly supported the arguments advanced by the Secretary of State for the Environment. The economy was undergoing a period of unusually rapid structural change, leading to shifts in the relative values of non-domestic property of different types and in different parts of the country. The longer a revaluation was delayed, the greater the eventual upheaval would be.

In discussion the following main points were made -

a. The political considerations were nicely balanced. Although a revaluation would no doubt provoke resentment in such areas as the South East, which on average would tend to lose, delay would provoke resentment in the areas which stood to gain.

b. Estimates of changes in relative rateable values and of the effects of changes in the rating system on the burden of rates were always unreliable, and not too much weight could be put on them. An important consideration was that local government finance, especially rate-capping and the abolition of the Greater London Council and the Metropolitan County Councils, would inevitably be at the centre of the next General Election campaign, whenever the Election was held. The Government would need to be able to demonstrate that their policies had benefited ratepayers. It would be difficult to do so if comparisons with the past were invalidated by changes in the rating base.

c. A decision in favour of 1989 would carry the risk that the Government would be regarded as having deferred the revaluation for narrow political reasons. Against that, it was suggested that there were good administrative arguments for such a decision. The wider use of computers in the Inland Revenue would yield staff savings in 1986-87 and 1987-88, which could well give rise to redundancies. There were management arguments for an effective date of 1989 for the revaluation, since this would enable the manpower required for the revaluation to be offset at least to some extent by the staff savings from computerisation.

d. It was argued that it was undesirable to recruit an additional 700 staff to carry out the revaluation. The possibility of contracting out work on the revaluation to the private sector should be further examined, even though it had previously been estimated that that would entail additional costs.

e. In Scotland a general revaluation of domestic and non-domestic rates was to take place in April 1985. It was arguable that in England and Wales also the non-domestic revaluation should be timed to coincide with the domestic revaluation, and that this would disarm criticism of the delay in the non-domestic revaluation. On the other hand the domestic revaluation in England and Wales raised

difficult issues which Ministers had yet to consider; its timing was uncertain, and the White Paper had implied that the non-domestic revaluation would come earlier.

THE PRIME MINISTER, summing up the discussion, said that on balance the Cabinet considered that the next revaluation of non-domestic property in England and Wales should be related to an effective date not earlier than 1 April 1989. This decision should be announced once the Rates Bill had completed its passage through Parliament. The Secretary of State for the Environment should re-examine the possibility of contracting out work on the revaluation to the private sector.

The Cabinet -

1. Agreed that the next revaluation for rates of non-domestic property in England and Wales should be related to an effective date of 1 April 1989.
2. Agreed that this decision should be announced once the Rates Bill had completed its passage through Parliament.
3. Invited the Chief Secretary, Treasury in consultation with the Secretary of State for Wales and the Secretary of State for the Environment, to re-examine the possibility of contracting out work on the revaluation to the private sector.

Cabinet Office

27 January 1984