

CONFIDENTIAL

PRIME MINISTER

NATIONAL HEALTH SERVICE REORGANISATION: COMPENSATION TERMS

You were unhappy with the proposal which you saw over the weekend in Sir Robert Armstrong's Business Note that the question of compensation terms for redundant NHS staff should come to Cabinet.

You subsequently had a word with the Home Secretary, and he explained that H had failed to reach agreement on the matter when they discussed it on 20 January. The majority of H favoured the option of improving redundancy payments for NHS staff and considering any proposals for similar extensions to other areas strictly on their merits and with regard to the financial implications. But Mr. Heseltine was strongly opposed to this concession for the NHS because of the possible repercussions for local government staff. Because he was not prepared to give way, the Home Secretary had no alternative but to agree that the matter should be put to Cabinet.

H agreed that it was for the Lord President to put the matter to Cabinet, and his paper setting out the issues came round today (Flag A). I also attach the H Minutes (Flag B).

If, after reading these papers, you are still of the view that this question should not be taken by Cabinet, the only way in which we can proceed is for the Ministers directly concerned - the Lord President, the Secretary of State for the Environment, the Secretary of State for Social Services and the Chief Secretary - to meet and to try to reach the agreement which has eluded them so far. Shall we arrange for them to do this?

*No please not*

I take it that you would not wish to chair such a meeting yourself?

*No.*

*J.W.*

26 January 1981

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file

cc: DOE  
DHSS  
Ch. Sec. HMT  
CO.

JS

10 DOWNING STREET

Further copy to DHSS + Home Office

*From the Principal Private Secretary*

27 January 1981

~~11/2/81~~

Dear Jim,

NATIONAL HEALTH SERVICE REORGANISATION: COMPENSATION TERMS

The Prime Minister saw last week the record of the discussion in H of the problem of compensation terms for NHS staff made redundant on reorganisation (H(81) 2nd meeting), and she has now seen the Lord President's paper setting out the issues for his Cabinet colleagues (C(81)9).

After reading these papers carefully, the Prime Minister takes the view that this is not the kind of question which should engage the attention of the Cabinet and she believes that it ought to be possible for those Ministers directly concerned to solve it without troubling their colleagues. She very much hopes therefore that the Lord President will be ready to hold a meeting with the Secretary of State for the Environment, the Secretary of State for Social Services and the Chief Secretary to try to bring the matter to a conclusion.

I am sending copies of this letter to David Edmonds (Department of the Environment), Don Brereton (Department of Health and Social Security), Terry Mathews (Chief Secretary's Office) and David Wright (Cabinet Office).

Yours ever,

Margaret Thatcher.

Jim Buckley, Esq.,  
Lord President's Office.

BK