

CONFIDENTIAL

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

COPY NO

76

CC 88/4th
Conclusions

CABINET

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

THURSDAY 4 FEBRUARY 1988

at 11.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

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

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Lord Mackay of Clashfern
Lord Chancellor

The Rt Hon Douglas Hurd MP
Secretary of State for the Home Department

The Rt Hon Peter Walker MP
Secretary of State for Wales

The Rt Hon George Younger MP
Secretary of State for Defence

The Rt Hon Norman Fowler MP
Secretary of State for Employment

The Rt Hon Tom King MP
Secretary of State for Northern Ireland

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Kenneth Baker MP
Secretary of State for Education
and Science

The Rt Hon John MacGregor MP
Minister of Agriculture, Fisheries
and Food

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland

The Rt Hon Paul Channon MP
Secretary of State for Transport

The Rt Hon John Moore MP
Secretary of State for Social Services

The Rt Hon John Wakeham MP
Lord President of the Council

The Rt Hon The Lord Belstead
Lord Privy Seal

The Rt Hon Cecil Parkinson MP
Secretary of State for Energy

The Rt Hon John Major MP
Chief Secretary, Treasury

THE FOLLOWING WERE ALSO PRESENT

The Rt Hon David Waddington QC MP
Parliamentary Secretary, Treasury

The Rt Hon Peter Brooke MP
Paymaster General

CONFIDENTIAL

CONFIDENTIAL

SECRETARIAT

Sir Robin Butler
Sir Christopher Mallaby (Item 3)
Mr R G Lavelle (Item 3)
Mr A J Langdon (Items 1 and 2)
Mr S S Mundy (Items 1 and 2)

C O N T E N T S

Item	Subject	Page
1.	PARLIAMENTARY AFFAIRS	1
	Local Government Bill	1
	Abolition of the Inner London Education Authority	1
	War Crimes	3
2.	HOME AFFAIRS	
	Industrial Action in the National Health Service	3
	Northern Ireland	4
	Industrial Action by the National Union of Seamen	5
3.	COMMUNITY AFFAIRS	
	Future Financing	5

CONFIDENTIAL

PARLIAMENTARY
AFFAIRS

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

Local
Government
Bill

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he wished to congratulate the business managers in the House of Lords for securing the successful completion of the Committee Stage of the Local Government Bill.

Previous
Reference:
CC(88) 3.1

Abolition of
the Inner
London
Education
Authority

THE SECRETARY OF STATE FOR EDUCATION AND SCIENCE said that the Conservative Party Election Manifesto had approached the improved delivery of education services in inner London by proposing that where entire borough councils wished to become independent of the Inner London Education Authority (ILEA) they should be able to request permission to take over the provision of education within their boundaries. This was the approach adopted by the Education Reform Bill, currently proceeding through its Committee Stage in the House of Commons. Three boroughs (Wandsworth, Kensington and Chelsea, and Westminster) had decided to use the new machinery to break free from ILEA's control: the City of London (which had a very small number of residents) was likely to take the same line, and Tower Hamlets would probably also do so. In these circumstances a strong feeling had grown up, not only in the Conservative Party, that there should be an orderly and planned transfer of entire responsibility for education in inner London to the borough level. This line was taken by a good many leading figures in the education world, who were not necessarily supporters of the Government. The main concern was whether it would be safe to hand responsibility for education over to London boroughs that had demonstrated their unfitness in various other directions. The Education Reform Bill, however, offered safeguards that were previously unavailable, including the provisions on the national curriculum, open enrolment, financial delegation and powers for a school to withdraw from the control of the local education authority. Another relevant factor was that local education authorities had the power to set up joint education committees on a voluntary basis: this machinery offered quite hopeful prospects for a measure of co-ordinated organisation for such parts of the education service in London as might benefit from that approach. Parts of the further and adult education system could well be a case in point.

In the light of these considerations he was in no doubt that the best course was to proceed to the total abolition of ILEA at the earliest possible practicable date, and he had the previous day secured the agreement of the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Education Policy (E(EP)) that abolition should take place on 1 April 1990. ILEA would thus cease to exist before the next

CONFIDENTIAL

CONFIDENTIAL

direct elections to it fell due. The decision would require amendments to the Education Reform Bill, and he had discussed with the Lord President of the Council the Parliamentary procedures that would be necessary for this in view of the fact that the Bill was subject to a timetable motion. He intended, with the agreement of the Cabinet, to make a statement of the decision that afternoon in the House of Commons. He believed that it might well receive a wider welcome than would earlier have been foreseen, and that guarded neutrality might now be expected from some influential figures who would previously have been hostile to the proposal.

In discussion the following main points were made -

- a. Work had been put in hand to arrange for the London Residuary Body to oversee the break-up of ILEA and the distribution of its assets. It would probably be necessary to develop criteria to ensure that resources were distributed in a way that reflected the varying education burdens that fell on the inner London boroughs.
- b. Ending ILEA's inflated overheads should lead to a reduction in the education costs falling on the community charge payer in inner London. The decision thus assisted community charge policy, as well as being a long awaited educational reform.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet endorsed the previous day's decision by E(EP) that ILEA should be abolished on 1 April 1990. The Secretary of State for Education and Science should announce that afternoon in the House of Commons that the necessary amendments would be moved to the Education Reform Bill, and he should circulate the text of his statement in draft to members of E(EP). The statement should be repeated in the House of Lords. The Secretary of State and the Lord President of the Council should continue to consider the Parliamentary handling of the necessary amendments. The ending of ILEA's dismal record would be a major contribution to the Government's policy of dispersing power in education nearer and nearer to parents and governors. The Government would also need to consider whether any additional arrangements were needed to support schools which wanted to withdraw from local authority controls in inner London.

The Cabinet -

1. Endorsed the decision by the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Education Policy that the Inner London Education Authority should be abolished on 1 April 1990 and that amendments should be introduced to the Education Reform Bill to achieve this.
2. Invited the Secretary of State for Education and Science to announce the decision that afternoon in the House of Commons and to discuss the Parliamentary handling of the amendments with the Lord President of the Council.

CONFIDENTIAL

War Crimes

Previous Reference: CC(88) 2.6

THE HOME SECRETARY said that he would be announcing in the House of Commons in the following week that, as agreed by the Cabinet the previous month, he would be establishing an independent inquiry to examine material relating to allegations that ex-Nazi war criminals were living in the United Kingdom. Sir Thomas Hetherington, the former Director of Public Prosecutions, and Mr William Chalmers, the former Crown Agent in Scotland, had agreed to undertake the inquiry. He had been in touch with Mr Merlyn Rees MP, Chairman of the Parliamentary All-Party War Crimes Group, and with the Opposition spokesman in the House of Commons to inform them of his proposals. The establishment of an inquiry was bound to be criticised both by those who believed that the law should be amended to take jurisdiction over war crimes committed abroad by those now resident in the United Kingdom and by those opposed to any move in that direction. Nevertheless, he believed that the approach he had described would gain general acceptance as a reasonable response.

The Cabinet

3. Took note.

HOME AFFAIRS

Industrial Action in the National Health Service

Previous Reference: CC(88) 3.2

2. THE SECRETARY OF STATE FOR SOCIAL SERVICES said that about 1,500 National Health Service (NHS) staff, of whom about three quarters were nurses, had mounted a strike the previous day. The only area outside London that had been significantly affected was Leeds. He was still collecting information about the effect of the strike on patient care, but about 400 non-urgent operations appeared to have been postponed. The demonstrations connected with the strike had attracted very considerable publicity and the trade unions involved were all attempting to manipulate the situation for their own purposes, with scant regard for truth. The Royal College of Nursing, in particular, had given what it must have known were distorted accounts of the Government's intentions towards the funding of pay increases for nurses and of the Government's evidence to the Nurses Pay Review Body.

In discussion the following main points were made -

- a. Staff costs represented about 75 per cent of health service costs, but the extraordinary fallacy seemed to be gaining credence in the media that staff pay was in some way separate from wider question of NHS funding. This confusion was also blurring public recognition of the fact that the Government had a very good record in honouring the full amounts that had been recommended by the Review Bodies.
- b. The Government's good record on ensuring proper pay for nurses and doctors meant that they had had to square up to issues about the funding of the NHS that had been avoided by the previous Government, which had been content to see the pay of these professions lag behind the rate of inflation.

CONFIDENTIAL

c. Presentational problems about funding the NHS partly arose from the fact that the public expenditure survey year and the planning years used by the health authorities were not in synchronisation with the cycle of Review Body recommendations on pay. Given the room for improvement in NHS management, and the scope for reducing waste, efficiency savings clearly had to be sought, but these could not be set far in advance of the year in question. These problems were compounded by the fact that health authorities had to conduct their planning processes in public, so that contingency planning could easily be misunderstood in the public mind.

d. The recruitment of nurses presented little problem over much of the country. Difficulties were concentrated in London and the South East, and the Government had sought to tackle this in its evidence to the Review Body for Nursing Staff, Midwives, Health Visitors and Professions Allied to Medicine, in which the Review Body's recommendations were sought on geographical supplements to the pay of nurses including in London and the South East. The Review Body had no locus in relation to the determination of London weighting, since this was negotiated.

THE PRIME MINISTER, summing up the discussion, said that a number of points had been raised that were important to the handling of present concerns about the NHS. There was evidence of colossal waste in the Service. The Government's good record in meeting the Review Body's recommendations for the pay of doctors and nurses represented especially strong ground, and no opportunity for emphasising this point should be lost.

The Cabinet -

1. Took note.

Northern
Ireland

The Cabinet had a discussion on Northern Ireland. Their discussion and the conclusions reached are recorded separately.

Previous
Reference:
CC(88) 3.1

CONFIDENTIAL

Industrial
Action by
the National
Union of
Seamen

THE SECRETARY OF STATE FOR TRANSPORT said that the National Union of Seamen had undertaken in the High Court that day to call off their strike action on British flagged ferries.

The Cabinet -

2. Took note.

COMMUNITY
AFFAIRS

Future
Financing

Previous
Reference:
CC(88) 3.3

3. THE PRIME MINISTER, reporting on her discussions on 29 January with President Mitterrand and Monsieur Chirac of France, said that they (and particularly Monsieur Chirac) had taken the line that the United Kingdom would be isolated at the European Council on agriculture and without concessions would not be able to maintain the abatement arrangements. She had made clear that this was a hollow threat against the requirement for unanimity for increased resources and our relative comfort in relation to a regime of provisional twelfths. She had also drawn attention to the electoral hazards for the French of acceptance of discriminatory proposals for the co-responsibility levy which would fall disproportionately on British and French farmers. In contrast, Chancellor Kohl of Germany had uttered no threats and had expressed a wish for the forthcoming Council to reach agreement. The acid test remained whether or not the Germans would be prepared to take effective action to tackle agricultural surpluses, given their evident preference for only gradual reform including a reluctance, in the case of cereals, to accept any price cuts in the first year and emphasis in the arrangements on co-responsibility levy. She had pointed out to Chancellor Kohl that Germany benefited from the efficiency of its manufacturing sector and ought not to penalise the efficiency of other countries in agriculture by seeking to pitch prices at the level of the least efficient.

THE FOREIGN AND COMMONWEALTH SECRETARY, reporting on the Conclave of Foreign Ministers on 1-2 February, said that the Presidency seemed at last to have focussed on their responsibilities. Herr Genscher's chairmanship was also consistent with the view that the Germans were now looking for a settlement although there were still many problems to be resolved. For their part the Germans had, at least for the moment, put the abatement on one side, although Monsieur Chirac might seek to make tactical use of this issue at the European Council. The indications received since the Conclave suggested that the Presidency might be prepared to make some further move on the maximum guaranteed quantity for cereals, the oilseed price and the 20 tonne exemption from co-responsibility levy. We would need, along with the Dutch, to keep up the pressure in these and other areas. The Italians remained much exercised over the proposals for new contribution arrangements giving greater emphasis to Gross National Product. The level of the Structural Funds represented one of the major areas of difficulty and it would not be easy to maintain the position we had taken up.

CONFIDENTIAL

In a brief discussion, it was suggested that it would be important to resist any proposals for ambiguous language relating to exceptional circumstances which in practice could drive a coach and horses through the agricultural guideline provisions. Our central pre-occupation must remain agricultural reform and we should maintain our stand on the basis of common sense.

The Cabinet -

Look note.

Cabinet Office

4 February 1988

CONFIDENTIAL