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CC(84) 41st  
Conclusions

CABINET

CONCLUSIONS of a Meeting of the Cabinet  
held at 10 Downing Street on  
THURSDAY 13 DECEMBER 1984  
at 10.00 am

P R E S E N T

The Rt Hon Viscount Whitelaw  
Lord President of the Council  
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 Michael Heseltine MP  
Secretary of State for Defence  
The Rt Hon Nicholas Edwards MP  
Secretary of State for Wales  
The Rt Hon John Biffen MP  
Lord Privy Seal  
The Rt Hon Michael Jopling MP  
Minister of Agriculture, Fisheries and Food  
The Rt Hon Nicholas Ridley MP  
Secretary of State for Transport  
The Rt Hon Earl of Gowrie  
Chancellor of the Duchy of Lancaster

The Rt Hon Margaret Thatcher MP  
Prime Minister

The Rt Hon Lord Hailsham of St Marylebone  
Lord Chancellor  
The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
The Rt Hon Peter Walker MP  
Secretary of State for Energy (Items 1-4)  
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 Peter Bess QC MP  
Chief Secretary, Treasury  
The Rt Hon Douglas Hurd MP  
Secretary of State for Northern Ireland  
The Rt Hon Lord Young of Crawford  
Minister without Portfolio

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon Sir Michael Havers QC MP  
Attorney General

Mr John Gummer MP  
Paymaster General

The Rt Hon Barbara Young  
Minister of State, Foreign and Commonwealth  
Office

The Rt Hon Paul Channon MP  
Minister of State, Department of Trade  
and Industry (Items 4 and 5)

Mr John Cope MP  
Treasurer of the Household

SECRETARIAT

Sir Robert Armstrong  
Mr P L Gregson (Items 4 and 5)  
Mr D F Williamson (Items 2 and 3)  
Mr B G Cartledge (Items 2 and 3)  
Mr M S Buckley (Items 4 and 5)  
Mr C J S Brearley (Item 1)  
Mr R Watson (Item 1)

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PARLIAMENTARY  
AFFAIRS

The Cabinet were informed of the business to be taken in the House of Commons in the following week and that the House would rise on 21 December 1984 and resume on 9 January 1985.

Draft Order  
on Supple-  
mentary  
Finance for  
the European  
Community

Previous  
Reference:  
CC(84) 39th  
Conclusions,  
Minute 1

THE LORD PRIVY SEAL said that it was proposed to debate the Order relating to the Inter-Governmental Agreement on Supplementary Finance for the European Community on Tuesday 18 December. The validity of the Order had, however, been challenged in the Courts by a Mr W O Smedley. Judgment in the High Court had been given, in the Government's favour, but Mr Smedley had appealed. The appeal was being heard at present and the decision of the Court of Appeal was expected shortly, but would probably not be available before he made his Business Statement to the House that afternoon. He considered that it would be politically acceptable to hold the debate only if the Court of Appeal found in the Government's favour and refused Mr Smedley leave to appeal to the House of Lords (even though he would be able to apply to the House itself for leave). There was a precedent for this in the handling of the Canada Bill in the 1981/82 session, where a similar situation had arisen. If the Court of Appeal found for Mr Smedley or gave leave to appeal, the matter would need to be considered again.

In discussion, it was pointed out that there was no legal objection to the Order being debated if the Court of Appeal pronounced in the Government's favour, regardless of the position on an appeal to the House of Lords. Only if the Court of Appeal found against the Government need debate be postponed on legal grounds. There was some advantage in maintaining a strict legal view; the process of judicial review was being used for an oblique political purpose in this case and apparent success in delaying Government business might well encourage others to follow the same course. On the other hand, there were political objections to Parliament debating the Order before all the legal processes in this country had been exhausted. Even to propose such a course in a conditional way might be interpreted as putting pressure on the courts to reach rapid decisions. It would be preferable at the least to allow more time for the Court of Appeal judgment and to leave the debate until later in the week; such a course, however, would not avoid charges that the Government were moving in advance of the judgment and would also require a special meeting of the Privy Council to be arranged. In present circumstances it was important for the Government not to be open to any charge either of disregarding the law or of attempting to influence its course. The alternative route to an Order for providing supplementary finance was by a Supplementary Estimate and a special Consolidated Fund Bill. There was now insufficient time to use this route before Parliament adjourned for Christmas. It could, however, be used as soon as Parliament reassembled. To leave matters until January would mean that the United Kingdom would not be able to fulfil its commitment to supplement the Community budget by the end of the year. This could lead to other demands for funds from the European Commission, although they might appreciate that the Government's inability to fulfil its obligation was outside its control and temporary.

THE PRIME MINISTER, summing up the discussion, said that, although there was reason to think that the Court of Appeal would not make any problems, if it was decided before the judgment was known to debate the Order in the following week, there did not appear to be any way in which the debate on the Order could be announced before the outcome of the Court of Appeal case was known without considerable political controversy. Even after the judgment, assuming it was in the Government's favour, there would be strenuous objections to a debate with an appeal to the House of Lords was possible or pending. In current circumstances, whatever the precise legal position, it was crucial that the Government should not be open to accusations of interfering with the due processes of the law. The only safe solution therefore was to not bring the Order forward for debate the following week and to reassess the position after Christmas when the decision of the Court of Appeal, and the position on any further appeal to the House of Lords, would be known.

The Cabinet -

1. Agreed that the Order relating to the Inter-Governmental Agreement on Supplementary Finance for the European Community should not be debated the following week and that the position should be reassessed after Christmas; and invited the Lord Privy Seal and the Chancellor of the Exchequer to be guided accordingly.

THE LORD PRIVY SEAL said that at the first meeting of the Committee to consider the Civil Aviation Bill it had not proved possible to secure the sittings motion. Members of the Committee, including three Conservative members, had claimed that they required more time to consider the Report of the Inspector of the planning inquiries for Stansted and Heathrow Terminal 5. He and the Secretary of State for Transport now expected that it would be possible to secure the sittings motion the following Tuesday. It was important that the Bill should continue its course.

The Cabinet -

2. Took note.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the first day of the Bill's Committee Stage on the floor of the House had made surprisingly rapid progress. There had been some Conservative rebels on the group of amendments relating to a directly-elected successor body to the Greater London Council (GLC) but it was significant that they had no common view on what form such an arrangement should take. It was also notable that the Labour Party had failed to support a Liberal amendment to exclude the GLC from the scope of the Bill.

Civil Aviation Bill

Local Government Bill

Previous Reference: CC(84) 40th Conclusions, Minute 1

THE PRIME MINISTER said that given the importance of the Local Government Bill, it was very desirable that Ministers should be present for divisions during Committee stage on the floor of the House.

The Cabinet -

3. Took note.

2. THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE (BARONESS YOUNG) said that both the British subjects who had, together with other passengers and crew, been held hostage on the hijacked Kuwaiti airliner at Tehran airport were now safe and well in Kuwait. The hijackers were being held in custody in Tehran and the Iranian Government had said that they would be brought to trial. The Iranians were obliged to do this, under the terms of The Hague Convention, or else to extradite the hijackers for trial elsewhere. Ayatollah Khomeini had denied suggestions of Iranian collusion with the hijackers and there was indeed no evidence of Iranian complicity. While accepting this, the United States intelligence agencies nevertheless believed that the final assault on the aircraft had been staged. The possibility of retaliatory action by the United States appeared to be receding. Two British officials were flying to Kuwait in order to interview the British subjects involved.

FOREIGN AFFAIRS

Hijacking of Kuwaiti Aircraft

Previous Reference: CC(84) 40th Conclusions, Minute 2

Cyprus

Previous Reference: CC(84) 19th Conclusions, Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the United Nations Secretary-General, Mr Perez de Cuellar, had secured agreement to a meeting between President Kyprianou of Cyprus and Mr Denktash, the Turkish Cypriot leader, on 17 January. He had drawn up a draft agreement which, on present plans, would be signed by both parties on this occasion. Mr Perez de Cuellar had paid tribute, in speaking to the United Kingdom Permanent Representative to the United Nations, to the invaluable assistance which the United Kingdom had given to his efforts. Several aspects of the draft agreement could nevertheless give rise to problems, particularly the question of Turkish Cypriot veto powers and that of the areas of territory which would be handed back to the Greek Cypriots.

South Africa

Previous Reference: CC(84) 34th Conclusions, Minute 2

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the three leaders of opposition parties who had been in the British Consulate in Durban since 13 September had now left, following the lifting by the South African Government of the detention orders laid upon them. Two of the three, however, had since been arrested and charged with offences under South African law. Her Majesty's Government had long made clear to the South Africans that we looked to them for a gesture which would end the stalemate. The three men had made it clear

that they would leave the Consulate if the detention orders were lifted and that they were ready to face any specific charges against them in a court of law.

Canada

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the Canadian Secretary of State for External Affairs, Mr Joe Clark, had paid a visit to London from 10-12 December. This was the first high level contact with the new Canadian Government and it had gone very well. Mr Clark had made it clear that the Canadian Government's first priority would be to improve Canada's relations with the United States, but that this would not be at the expense of relations with the United Kingdom and Western Europe. It was clear from the discussions with Mr Clark that Canada firmly intended to maintain and carry out her obligations under the North Atlantic Treaty.

United States

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the talks which the Secretary of State for Foreign and Commonwealth Affairs had held with the United States Secretary of State, Mr George Shultz, on 11 December had provided a valuable opportunity for a long discussion which had covered a wide field.

Previous Reference: CC(84) 14th Conclusions, Minute 2

Falkland Islands

THE MINISTER OF STATE, FOREIGN AND COMMONWEALTH OFFICE said that the House of Commons Select Committee on Foreign Affairs had now produced its report on the future of the Falkland Islands. This was not an entirely helpful document but could have been worse.

Previous Reference: CC(84) 16th Conclusions, Minute 2

The Cabinet -

Took note.

COMMUNITY AFFAIRS

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Agriculture: Milk

Previous Reference: CC(84) 40th Conclusions, Minute 3

3. THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that the milk levy was due to be collected from producers and paid over to the Commission by 15 December. At the Council of Ministers (Agriculture) on 10-11 December it appeared that some member states would be meeting this obligation and some would not. The United Kingdom's position was that either all should comply or none. The Council of Ministers had asked the Commission to defer the collection of the levy until the end of March. The Commission had already subtracted from the December advances of funds to member states for agricultural expenditure the sums which they calculated to be due as milk levy. For some member states the sums deducted by the Commission from the advances were quite

substantial - about 39.4 million ecu (£23.8 million) for Germany and about 35.6 million ecu (£21.5 million) for France - but for the United Kingdom the figure was about 2.9 million ecu (£1.8 million) in respect of levy in Northern Ireland. The Commission had now decided to take a further step. They had decided not to defer the date at which the levy was due and that, if a member state did not collect from producers and pay over levy due by 15 December, they would deduct from the advance to be made at the end of December for agricultural spending in January the whole of the sum estimated to be necessary for the milk sector. Substantial sums were at issue: for the United Kingdom the agricultural advance payment of about £110 million to be received from the Commission would be reduced by about £40 million. It was still not clear which member states would now be collecting and paying over the milk levy. Some, for example France, might make a token payment. In discussion it was pointed out that the United Kingdom's basic position was that we were ready to collect from producers and pay over levy provided that we were satisfied that other member states were complying. If this position were not respected, there would be resentment among dairy farmers, particularly in Northern Ireland where there remained some dissatisfaction with the level of their quotas. It would clearly be intolerable if the United Kingdom were the only member state to pay over the levy. On the other hand, it was pointed out that the United Kingdom had been pressing the Commission to take a strong line on the control of milk surpluses and the respect of the quota/levy scheme. They were now doing this, and the United Kingdom should be on the side of those who paid the levy due. In addition to the problem of the £40 million reduction in the agricultural advance to the United Kingdom, there would be an adverse effect on public expenditure if the levy payment were deferred until next year, because the abatement under the Fontainebleau agreement would be affected.

THE PRIME MINISTER, summing up the discussion, said that it would not be acceptable if another member state such as France were not paying over the levy while the United Kingdom did so. On the other hand, the United Kingdom must not be the only member state to refuse to collect and pay over the levy. On the present information the doubts on the intentions of other member states were sufficient to make it unjustifiable to collect the levy from Northern Ireland dairy farmers immediately. The Minister of Agriculture, Fisheries and Food, however, should obtain as soon as possible the best information on the intentions of other member states.

The Cabinet -

1. Invited the Minister of Agriculture, Fisheries and Food to be guided by the Prime Minister's summing up of their discussion.

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Agriculture:  
Structure  
Measures  
Previous  
Reference:  
CC(84) 40th  
Conclusions,  
Minute 3

THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD said that there had been difficulties over agricultural structure proposals - such as capital grants and hill subsidies - in the Council of Ministers (Agriculture) on 10-11 December. The difficulty arose because the Council of Ministers (Finance) had stated that they wished to discuss again the financing of these proposals. He had supported this. The Agriculture Ministers of all other member states, however, had wanted to come to a decision on the substance of the proposals immediately. It had been possible to avoid this. The problem would recur with greater force in January because the next meeting of the Council of Ministers (Agriculture) preceded the meeting of the Council of Ministers (Finance). It would be necessary to decide on what basis the United Kingdom could agree to a decision on these measures in January, if he was to avoid being voted down. In discussion it was pointed out that the role of Finance Ministers was an essential element in the improved budgetary discipline for which the United Kingdom had successfully fought.

THE PRIME MINISTER, summing up the discussion, said that we should seek to change the dates of the Council meetings in January, so that the Council of Ministers (Finance) had the next opportunity to discuss the financing of the agricultural structure measures. In order to determine the United Kingdom's line for the forthcoming Councils, a small group of the Ministers principally concerned should be convened.

Finance

THE CHANCELLOR OF THE EXCHEQUER said that it was satisfactory that, in the Council of Ministers (Finance) on 10 December, agreement had been reached on the Community's negotiating position on export credits. The French had been outvoted on the general mandate and the Italians on that relating to aircraft.

Environment

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that at the Council of Ministers (Environment) on 6 December the French had changed their position and indicated support for much stricter limits on emissions from large plants. The Italians would probably do the same shortly. The United Kingdom was likely to be isolated at the next meeting.

Transport:  
Lorry Weights  
and Quotas

THE SECRETARY OF STATE FOR TRANSPORT reported that at the Council of Ministers (Transport) on 11-12 December he had sought and obtained very strong safeguards for the United Kingdom's position on lorry weights. The derogation for the United Kingdom had no specific time limit and could be changed only by unanimous agreement. It was a stronger protection than the present position. An improvement in lorry quotas had also been obtained.

The Cabinet -

- 2. Took Note.

INDUSTRIAL  
AFFAIRS  
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Coal  
Industry  
Dispute  
Previous  
Reference:  
CC(84) 40th  
Conclusions,  
Minute 4

4. THE SECRETARY OF STATE FOR ENERGY reported to the Cabinet on the latest position in the coal industry dispute. The Cabinet's discussion is recorded separately.

LOCAL  
AUTHORITY  
CAPITAL  
CONTROLS  
SYSTEM

5. The Cabinet considered the control of capital expenditure by local authorities in England and Wales in 1985-86. They had before them a minute of 11 December from the Chancellor of the Exchequer to the Prime Minister and a minute of 12 December from the Secretary of State for the Environment to the Prime Minister.

THE CHANCELLOR OF THE EXCHEQUER said that at their meeting on 20 November the Ministerial Steering Committee on Economic Strategy, Sub-Committee on Economic Affairs (E(A)), had invited him to hold a meeting of the Ministers mainly concerned in order to devise acceptable arrangements for controlling capital expenditure in 1985-86 by local authorities in England and Wales (E(A)(84)26th Meeting). He had held two such meetings; but it had not been possible to reach final agreement. He was now putting forward compromise proposals as Chairman of the group. The decisions taken by the Cabinet in the context of the Public Expenditure Survey 1984 implied gross capital expenditure by English local authorities of £4.07 billion, less receipts of £2.12 billion, giving a net cash limit of £1.95 billion. It was necessary to convert the figures into expenditure allocations to be divided among individual authorities. Each local authority was free to supplement its allocation by spending a 'prescribed proportion' of capital receipts. Under existing arrangements the initial allocations took account of spending power funded from the 'prescribed proportion' of receipts during the year in question, but not of spending power funded from the 'prescribed proportion' of accumulated receipts. The total spending power available to local authorities was thus considerably greater than the gross provision underlying the cash limit. Although local authorities did not in practice use the full extent of the spending power theoretically available to them, they were likely to spend a higher proportion in 1985-86 than in previous years because of the Cabinet's decision to reduce, in particular, the size of the housing programme. It was in any event impossible to allow a system to continue which could permit the national cash limit to be exceeded by substantial amounts year after year. He therefore proposed that expenditure allocations to English local authorities for 1985-86 should be £3,031 million divided as follows: £1,576 million for housing; £320 million for other services; £325 million for education; £640 million for transport; £70 million for personal social services and £100 million for supplementary allocations for those local

authorities which had complied with the request for restraint in expenditure in 1984-85. The 'prescribed proportions' for different categories of receipts, both accumulated and in-year, should be -

- a. 15 per cent for housing receipts other than housing land;
- b. 30 per cent for housing land receipts; and
- c. 30 per cent for non-housing receipts.

It was reasonable to have a lower 'prescribed proportion' for housing than for non-housing receipts because sales of housing were generated by the right of tenants to buy, whereas local authorities needed an incentive to make sales of other assets.

These proposals would allow local authorities a theoretical spending power of 1985-86 in £4.8 billion, some £750 million more than the gross provision. Nevertheless, on a realistic estimate of the amounts authorities were actually likely to spend in the year - perhaps 85 per cent of the theoretical figure - there should be no threat of a serious overrun of the cash limit.

He also proposed that the carry forward of any underspending on the national cash limit from one year to the next should be up to a maximum of 5 per cent of the cash limit instead of 2 per cent. The Chief Secretary, Treasury accepted that local authorities should be told that the Government would take no action during the year to restrain spending in 1985-86 if the forecast overspend did not exceed 5 per cent of the cash limit; he also accepted that there should be a confidential agreement between the Ministers concerned that there should be no in-year action unless there was a significant risk of an overspend of more than 10 per cent of the cash limit, provided that there was no need for more general measures to restrain public expenditure. Any overspending would be deducted from the provision for a subsequent year.

The Secretary of State for Education and Science and the Secretary of State for Transport had told him that they were broadly content with these proposals. The Secretary of State for Wales had agreed that the total allocations for Welsh authorities should be about £265 million; and that the 'prescribed proportions' should be 15 per cent for housing receipts and 50 per cent for non-housing receipts.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that the Government had promised local authorities that for housing and other services they would have capital allocations in 1985-86 of at least 80 per cent of their allocations for 1984-85. To fulfil this promise and to take account of new statutory requirements and changing needs, a total of £1,670 million was needed for housing allocations. A smaller amount might lay the Government open to legal challenge. The Government should also give a public indication that allocations for housing and for other services would be at least 70 per cent of 1984-85 levels in 1986-87 and 80 per cent of 1985-86 levels in 1987-88.

To reduce the 'prescribed proportions' for capital receipts to the figures proposed by the Chancellor of the Exchequer would be very badly received by local authorities. It would conflict with repeated assurances by Ministers that authorities would be able to use a substantial proportion of their capital receipts to supplement their allocations. It would unite against the Government the local authorities most generally disposed to support it; and the construction industry would see it as a direct attack on investment in infrastructure. Many of the Government's supporters in Parliament would oppose it: it was indeed very doubtful whether the Government would be able to carry the subordinate legislation which would be needed to reduce the 'prescribed proportions'. With great reluctance, he was prepared to reduce the 'prescribed proportion' for housing receipts (other than from sales of housing land) to 25 per cent, and to reduce the 'prescribed proportion' for receipts from housing land and non-housing assets to 40 per cent.

In discussion, the following main points were made -

- a. It would be entirely wrong either to attempt to reopen the decisions on public expenditure previously taken by the Cabinet, or to accept a significant risk of exceeding the agreed figures. If the cash limit on local authority capital expenditure was exceeded, it increased the Public Sector Borrowing Requirement and pre-empted part of the reserve, which was already at risk because of likely overspending by local authorities on current account in 1985-86.
- b. The proposals put forward by the Chancellor of the Exchequer would allow local authorities a theoretical spending power of £4.8 billion: those put forward by the Secretary of State for the Environment would allow a theoretical spending power of £5.6 billion. Even if local authorities spent only 85 per cent of the theoretical figure - and there were grounds for believing that the percentage might well be higher - the excess over the gross provision under the Secretary of State for the Environment's proposals would be some £700 million. An excess of this size should not be contemplated. If it materialised, corrective action in the course of 1985-86 would be unavoidable. It would be less disruptive to frame the rules for 1985-86 more cautiously, even if that was initially less popular.
- c. Some members of the Cabinet considered that the proposals put forward by the Chancellor of the Exchequer were both inconsistent with past Ministerial assurances and likely to be attacked as a perverse response to the serious problem of unemployment. Others, however, pointed out that the proposals would not deprive local authorities of their ability to use capital receipts but would only reduce the pace at which the receipts could be used. The correct response to unemployment was not to increase public expenditure but to reduce taxation, particularly at the income tax threshold. This point should be made forcefully to potential critics of the Chancellor of the Exchequer's proposals, both inside and outside Parliament.

d. The Chancellor of the Exchequer's proposals on end-year flexibility should be welcome to local authorities. They should do much to weaken adverse criticism of the proposed reduction in the 'prescribed proportions' for capital receipts.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet agreed that allocations for housing should total £1,600 million, instead of the £1,576 million proposed by the Chancellor of the Exchequer; and that the total of allocations should accordingly be £3,055 million. The 'prescribed proportions' should be 20 per cent for housing receipts (other than from sales of housing land), 30 per cent for receipts from housing land, and 30 per cent for non-housing receipts. The Cabinet noted that these decisions would provide local authorities with a theoretical spending power of some £5.1 billion, £1 billion more than the gross provision. If local authorities used a large part of this spending power, there could well be an overrun of the cash limit. Expenditure must be carefully monitored in case corrective action during 1985-86 was needed. Although the Cabinet accepted the Chancellor of the Exchequer's proposals regarding end-year flexibility, nothing must be said in public which would reduce the Government's ability to take corrective action below what was implicit in the proposals. The Cabinet accepted the proposal by the Secretary of State for the Environment that assurances should be given regarding allocations for housing and other services in 1986-87 and 1987-88. The Secretaries of State for Scotland and Wales should discuss with the Chief Secretary, Treasury whether the Cabinet's decisions required any consequential changes in either the Scottish or Welsh expenditure blocks or the arrangements previously agreed for controlling capital expenditure by Scottish and Welsh local authorities. The Cabinet recognised the problem which the Secretary of State for the Environment would face in presenting the Government's decisions. All members of the Cabinet should support him vigorously.

The Cabinet -

1. Agreed that housing allocations to English local authorities in 1985-86 should total £1,600 million, and that the 'prescribed proportion' for housing receipts (other than from sales of housing land) should be 20 per cent.
2. Agreed that English local authorities could be told that allocations for housing and other services would be at least 70 per cent of 1984-85 levels in 1986-87 and 80 per cent of 1985-86 levels in 1987-88.
3. Subject to conclusions 1 and 2 above, and conclusion 4 below, approved the proposals in the minute of 11 December from the Chancellor of the Exchequer to the Prime Minister.
4. Invited the Secretaries of State for Scotland and Wales to discuss with the Chief Secretary, Treasury whether the Cabinet's decisions required any consequential changes in either the Scottish and Welsh expenditure blocks or the arrangements previously agreed for controlling capital expenditure by Scottish and Welsh local authorities.

5. Invited the Secretary of State for the Environment to consult the Lord Privy Seal about arrangements for announcing the Government's decisions in an oral Parliamentary Statement before the Christmas Recess.

Cabinet Office

13 December 1984

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CABINET

LIMITED CIRCULATION ANNEX

CC(84) 41st Conclusions, Minute 4

Thursday 13 December 1984 at 10.00 am

INDUSTRIAL  
AFFAIRS---  
Coal  
Industry  
DisputePrevious  
Reference:  
CC(84) 40th  
Conclusions,  
Minute 4

THE SECRETARY OF STATE FOR ENERGY said that, although the number of miners returning to work had, as expected, continued to decline in the immediate pre-Christmas period, coal production had the previous day started again at three pits, including Manton in Yorkshire. It was hoped that just before or just after Christmas the proportion of miners working in North Derbyshire would rise above 50 per cent. Coal movements and power station coal stocks remained good. The Nottinghamshire Area Council of the National Union of Mineworkers (NUM) would the following week be voting on a change to its rules so that it would not be automatically bound to follow national decisions of the NUM. This appeared to be a move to enable the Nottinghamshire area to hold back funds which would otherwise have had to be transferred to the NUM at national level, rather than the beginning of an attempt to break up the NUM. There would also be a proposal to drop the overtime ban in Nottinghamshire, and there might be similar moves in other working areas. He had received a request from the General Secretary of the Trades Union Congress (TUC) to have a meeting with leading representatives of the TUC to explore the possibility of a resumption of negotiations between the National Coal Board (NCB) and the NUM. He would be seeing them the following morning. It would be essential to avoid the danger of long drawn out talks between the NCB and the NUM which would discourage a return to work after the New Year holiday. Any protracted negotiations could take place only on the basis that all NUM members were already back at work. Otherwise the talks would need to be brought to an end before the weekend of 5-6 January 1985.

THE PRIME MINISTER, summing up a brief discussion, said that it was clearly right for the Secretary of State for Energy to agree to the TUC's request for a meeting. It was however essential that the meeting and any talks resulting from them should neither undermine the position of those miners who had already returned to work nor drag on so as to discourage a further return to work in the New Year. The Government's position should be that it wanted to see normal working in the coal industry resumed as soon as possible on the basis of the NCB's position of 6 March 1984, as modified by the agreement reached with the National Association of Colliery Overmen, Deputies and Shotfirers. She had herself had a request to receive a delegation from the Scottish TUC accompanied by church leaders and other members of the Scottish

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community. She would reply that any specifically Scottish aspect of the coal dispute should be discussed with the Secretary of State for Scotland.

The Cabinet -

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

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Cabinet Office

14 December 1984

**SECRET**

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