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CAB 128/88

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SUBJECT

CAB 128/88

MOST CONFIDENTIAL RECORD

No.	Contents	Date
	CC(87) 5th Conclusions Thursday 12 February 1987 LOCAL GOVERNMENT LEGISLATION	

MOST CONFIDENTIAL RECORD
TO
CC(87) 5th Conclusions

LOCAL
GOVERNMENT
LEGISLATION

THE LORD PRESIDENT OF THE COUNCIL said that the Queen's Speech on the opening of the present Session had promised legislation "to promote further competition in order to secure greater efficiency in the provision of local authorities' services". It had been the intention to include the very complex provisions that would be needed on this matter in a Local Government Bill that would also have contained provisions to prevent local authorities from including requirements of a non-commercial nature in their contracts. The Bill would also have embodied the Government's original proposals on political advertising by local authorities, which had been modified against the Government's wishes in the previous Session by the House of Lords, where the subject was very highly controversial. Policy approval had also been given for various other measures that might be included in the Bill, and two of these were of paramount importance in controlling local government expenditure. The first, to deal with the creative accounting device of deferred purchase schemes, had been announced by the Secretary of State for the Environment on 22 July 1986, and would take effect from that date. The second, which had been announced the previous week after discussion in Cabinet and would similarly take effect from the date of announcement, would regulate the use of a device pioneered by Sheffield Council for subventions by local authorities towards rented housing developments in the private sector.

In the event, the preparation of this legislation had been massively disrupted by the need to prepare and take through Parliament the Local Government Finance Bill, which was required to repair a fundamental flaw in the operation of the Rate Support Grant machinery. That Bill had proved to be far longer and more complex than had been envisaged, and it had inevitably been the first preoccupation not only of Parliamentary Counsel but also of the lawyers and administrators concerned in the Department of the Environment. It had now become clear that there was no realistic possibility of the full Local Government Bill being prepared until well into March. The provisions on competition in local government contracts were especially badly delayed. If the Bill were introduced on that very late timetable, it would be apparent from the start that it had little hope of reaching the Statute Book in the present Session, and proceeding with it would become a charade that would alienate the Government's supporters. In these very difficult circumstances, the only practical option was for the Government to cut their losses and introduce without delay a short Bill containing the two provisions necessary to control local authorities' creative accounting devices, together with whatever minor provisions the Secretary of State for the Environment judged appropriate. The provisions on local authority contracts and on political advertising, however, would need to be dropped for the present Session, and thought would need to be given to the most effective way in which the Government's commitment to competition in local government contracts might be restated. If the

Cabinet agreed with his view, which was shared by the other business managers, that there was no practical alternative to proceeding in this way, then the shortened Bill should be taken to Legislation Committee and introduced in the House of Commons in the following week, with the Secretary of State for the Environment making a statement on the day of introduction. While this would be a difficult occasion, the announcement would become yet harder to handle if it were delayed, and the impact of the Local Government Finance Bill faded in Parliament's memory.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he fully agreed with the Lord President of the Council's analysis of the situation. He proposed that in addition to the two measures to control creative accounting devices (which would be retrospective to the dates of their announcement and should not, therefore, be postponed to another Session) the shortened Bill should include a technical provision to cure a point of vires on the power to wind up pools of education expenditure. The only other measure that he proposed to include would be various changes to the law on land registers, as a stimulus to the sale of unused land. The inclusion of other, more minor, points would do no more than irritate the Government's supporters, as it was no longer feasible to proceed with the major provisions on local government contracts and political advertising. He would give careful thought to the way he presented this decision as having been forced on the Government by the emergence of the Local Government Finance Bill, and would stress the vital importance of enacting the measures to control creative accounting.

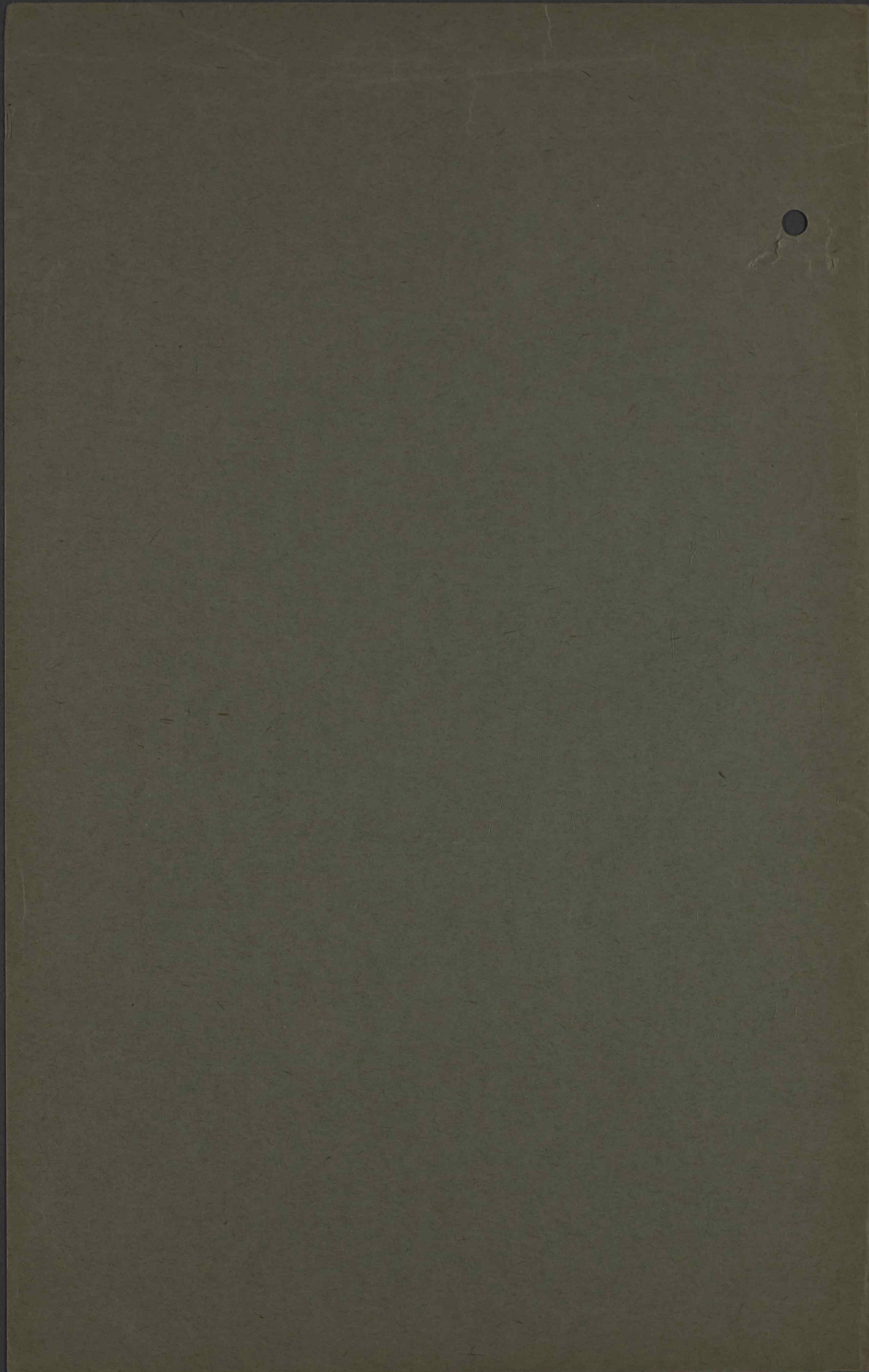
THE PRIME MINISTER, summing up a short discussion, said that the Cabinet agreed that, in the circumstances, there was no realistic alternative but to proceed as the Lord President of the Council and the Secretary of State for the Environment proposed. The Bill, reduced to the items described by the Secretary of State for the Environment, should be brought forward as soon as possible. The Secretary of State for the Environment should make an oral statement in the House of Commons on the day of the Bill's introduction and he should discuss the precise timing of this, and other handling arrangements, with the Lord Privy Seal and the Chief Whip.

The Cabinet -

Invited the Secretary of State for the Environment to bring forward a Local Government Bill, reduced to the items he had described, for introduction in the House of Commons as soon as possible, and to discuss timing and handling arrangements with the Lord Privy Seal and the Chief Whip.

Cabinet Office

13 February 1987



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SUBJECT

CAB 123/88

MOST CONFIDENTIAL RECORD

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MOST CONFIDENTIAL RECORD
TO
CC(87) 5th Conclusions

ECONOMIC
STRATEGY

The Cabinet considered a memorandum by the Chancellor of the Exchequer (C(87) 2) on Economic Strategy.

THE CHANCELLOR OF THE EXCHEQUER said that economic performance during 1986 had been good. Growth had been at 3 per cent, inflation had averaged 3.5 per cent, the lowest since 1967, the current account of the balance of payments had been broadly in balance, and unemployment had stopped rising and started to fall.

For 1987, the prospects were also good. Growth should again be about 3 per cent, and better balanced between consumers' expenditure, investment and exports. Inflation, as measured by the Retail Price Index should edge up towards the middle of the year, but fall back again to 4 per cent by its end. The trend of unemployment should be downwards, although that did not of course mean that the total would be lower in every single month. The current account of the balance of payments was expected to show a small deficit, but the United Kingdom's large holding of overseas assets should ensure that it created no problems. Perhaps the most striking proof of the improvement in United Kingdom economic performance was provided by international comparisons of productivity. In the 1960s and 1970s the increase in output per head in manufacturing industry had been about the lowest for the major industrialised countries. Since 1979 it had been the highest.

There were of course risks. The biggest was on inflation. The United Kingdom's position as an oil exporter meant that, unlike most of its competitors, it had had to adjust to the change in oil prices by allowing the exchange rate to fall, and this was leading to the slight upturn in inflation. But it was still very low by recent standards. Another risk was on pay. Pay increases were coming down, but only slowly and not by as much as they should. Finally, there were always great uncertainties about future prospects for world trade and pressures for protectionism.

As to fiscal prospects, the fall in oil revenues and the increase in public expenditure in the previous year's Autumn Statement had reduced the scope for tax cuts. He also believed that the following year's Public Sector Borrowing Requirement (PSBR) should be reduced below the level, 1.75 per cent of Gross Domestic Product, projected in the previous year's Medium Term Financial Strategy. There should still be room for some tax reductions, and the increase in the tax burden since 1979 showed the case for making them where possible. But the overriding need remained to maintain the prudent and consistent policies which had brought about the present favourable position.

In discussion, the following main points were made -

- a. The Chancellor of the Exchequer was to be congratulated on his economic management. Sensible and prudent policies continued over several years had led to a major improvement in economic performance. Their success had also led to a marked revival of confidence in industry. They must be maintained.
- b. Table 2 in Annex 3 to C(87) 2 showed that since 1979 income tax and National Insurance Contributions had risen as a percentage of gross earnings for those on average earnings. It was a major objective to reverse that. Another objective was to ameliorate the poverty and unemployment traps which were created by the interaction of the tax and benefit systems and had a depressing effect on incentives.
- c. The presentation of the case for tax cuts was important. The Opposition would certainly attack them on the ground that they would suck in imports and create jobs abroad rather than in this country. The Government must demonstrate that they were part of a strategy for creating jobs by strengthening incentives throughout the country. The economic case for concentrating on cuts in the basic rate rather than increases in allowances, if that were decided on, would also need to be strongly presented.
- d. The Government had a good record on tax reform. This also was important to improving the performance of the economy, and the Government should show that it intended to go further in that direction in the longer term. But it was probably not appropriate to include proposals for major tax reform in a Budget which might be followed later in the year by a General Election.
- e. Interest rate reductions were also important, on one view as important as tax cuts. They would remove the only remaining substantial grievance of industry, and help home buyers. But the effect on market confidence and possibly on inflation also had to be borne in mind, and there could be no commitment as to the size or timing of any reductions. The Government's success in reducing public borrowing meant that the relationship between the PSBR and interest rates was not as direct as when they took office: private sector borrowing was now larger than public sector borrowing by a factor of several times.
- f. The Government's policies on tax and expenditure needed to be presented as a coherent whole: cuts in the Budget needed to be seen in the context of the decisions on public expenditure the previous autumn. But the argument about the relative merits of expenditure increases and tax cuts seemed to be attracting less attention than the previous year.



g. As part of further improving the performance of the economy, consideration might be given, so far as resources allowed, to measures to encourage small businesses and ownership of property and shares, and to helping North Sea oil production.

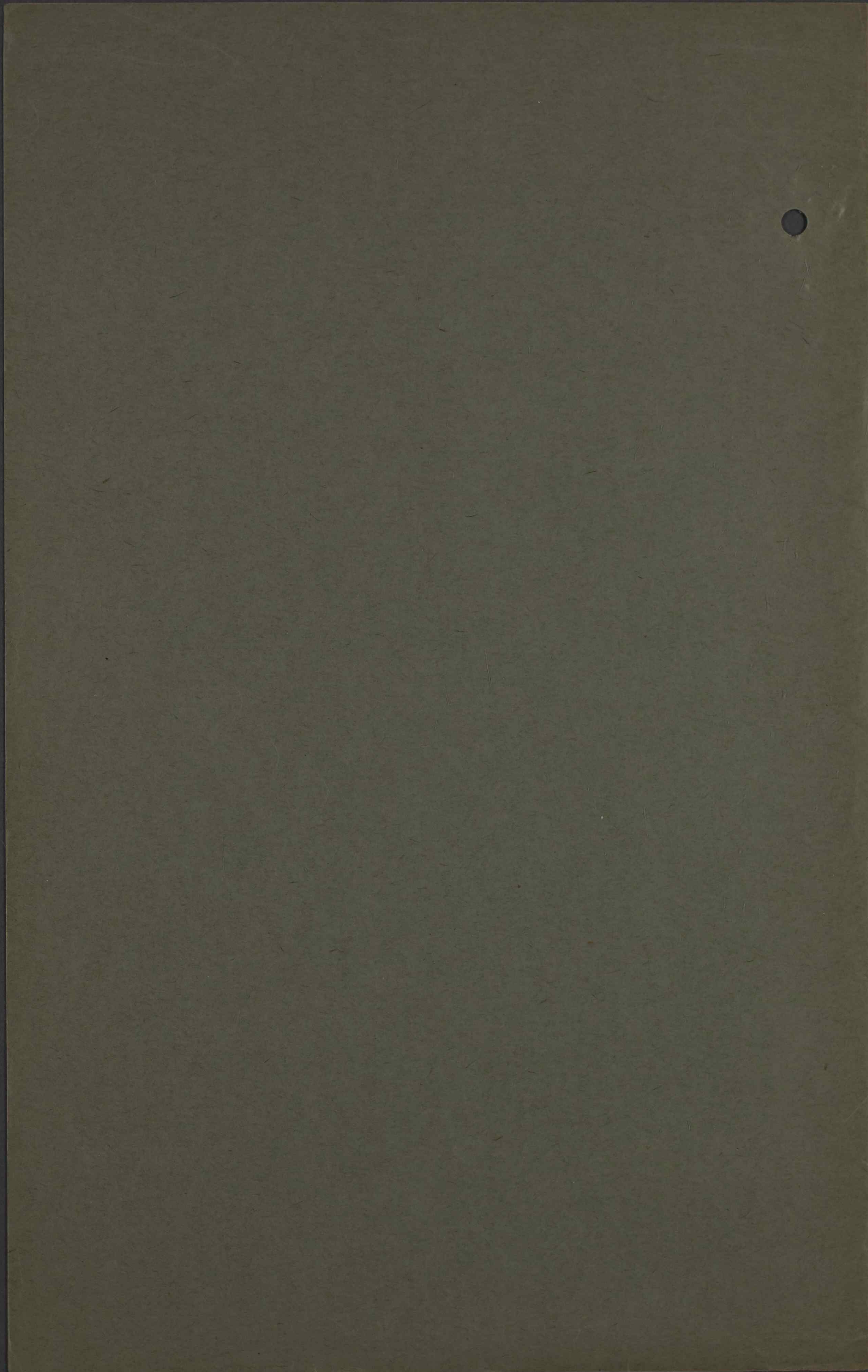
THE PRIME MINISTER, summing up the discussion, said that the Cabinet congratulated the Chancellor of the Exchequer on his management of the economy, which had produced very satisfactory results and prospects. They fully endorsed the maintenance of the prudent and consistent policies which had led to this outcome.

The Cabinet -

Invited the Chancellor of the Exchequer to take account of the discussion in preparing his forthcoming Budget.

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13 February 1987



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CAB 128/88

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	LEGISLATIVE PROGRAMME 1987-88	

MOST CONFIDENTIAL RECORD
TO
CC(87) 12th Conclusions

LEGISLATIVE
PROGRAMME
1987-88

The Cabinet considered a memorandum by the Lord President of the Council (C(87) 4) outlining the recommendations of The Queen's Speeches and Future Legislation Committee (QL) for the legislative programme for the 1987-88 Session of Parliament.

THE LORD PRESIDENT OF THE COUNCIL said that, in considering the legislative programme for the 1987-88 Session, QL had had to allow for various options in the timing of the General Election. Although there were clearly a number of possibilities, it was possible for legislative planning purposes to work on the basis of two options only. The first option assumed no Election in 1987 and a short final Session of the present Parliament. The second assumed an Election in 1987 to be followed by the first Session of a new Parliament. That Session would be a long one if an Election were held early, but as some of the extra time would be devoted to re-introduced Bills that had been lost at the dissolution, QL did not believe that special planning was needed for that eventuality. There was clearly a lead time in the preparation of legislation, and decisions needed to be taken now on the selection of Bills on which work should be put in hand so as to place the Government in the best position to face either option. It was not practicable, or indeed politically sensible, to envisage two totally separate programmes. QL had therefore considered that the best approach was to draw up a politically robust programme of Bills for a full (first) Session from which a small selection could be made to provide a suitable programme for a short (final) Session. The list of recommended Bills was included at Annex A to his memorandum: this programme should not be regarded as final. It was an extremely heavy one, both in terms of the size of the Bills and their political substance. Any additions that proved necessary would have to be accommodated by deletions of corresponding weight.

There were two Bills to which QL had given particular thought. The first concerned housing, where QL had concluded that there was a need for a major Bill in the next Session, although the precise terms in which it would be cast were still the subject of policy consideration. The second concerned water privatisation. QL had accepted the need in the first Session of a new Parliament for a Water Powers and Metering Bill which would pave the way for the main privatisation Bill by clarifying areas of doubt about the powers of the water authorities. They did not, however, consider it wise also to include the main privatisation Bill in that Session. There were a number of practical and political reasons for this view. First, it would be a fourth major Bill for Environment Ministers to have to steer through in that Session: although that could doubtless be done if it was absolutely essential, it was nevertheless a very heavy burden for any one Department to have to bear. Secondly, it would be risky in terms of Parliamentary management to attempt a paving Bill and a main Bill in a single Session; previous experience of such devices had not been happy. Thirdly, the Secretary



of State for the Environment was now radically revising his proposals in a way which many colleagues found attractive but which meant that the resulting Bill could not be ready before January 1988 at the earliest. QL had had serious doubts whether it was sensible to introduce a major and contentious piece of legislation this late, particularly in a programme of great political weight. He sought the approval of the Cabinet for these and QL's other recommendations. He also sought their agreement to apply stricter criteria for the award of advance drafting authority in the future and that the main Water Bill should be first choice for the award of such authority for the 1988-89 Session. If the Cabinet agreed, the second choice might be remitted for QL to make in the light of the Cabinet's discussion. Finally, he was grateful to the Secretary of State for Trade and Industry for his fuller explanation of why his Financial Markets (Clearing Arrangements) Bill was needed, but he still thought it undesirable to give it a place until it was clearer how long the measure would need to be and its timetable for preparation had been mapped out.

In discussion the following main points were made -

- a. It was essential to proceed with the Housing Bill in the first Session of a new Parliament if it was to be implemented successfully. Policy on the various strands of the Bill needed to be finalised as a matter of urgency if it was to be ready on time.
- b. The policy changes that the Secretary of State for the Environment was proposing for water privatisation were radical and complex. While they would meet many of the criticisms made of the original proposals they would attract different criticisms for new quarters. The plans needed to be carefully thought through, with further public consultation, and a January 1988 date of introduction for the Bill might well prove optimistic. This would be a serious enough matter for the business managers in any event, but would be all the more difficult given the fact that the main Bill would need to be preceded by a paving Bill and carried forward in a Session of unusual weight and controversy. While timetable Motions could undoubtedly be used to secure a satisfactory timetable in the House of Commons, this would be at the expense of transferring the problem to the House of Lords. Moreover it was not certain that much advantage would be obtained by proceeding with the main Bill in the first, rather than second, Session of the new Parliament, given the advice the Secretary of State for the Environment had received that flotation could not take place until nine months after Royal Assent to the paving Bill.
- c. Against this, it was argued that a delay in water privatisation would cause a significant gap in the privatisation programme which would seriously damage its momentum. In effect it would mean that there would be no major privatisation between 1987 and 1990. That would be a considerable political set-back. The new proposals the Secretary of State for the Environment was now contemplating should remove much of the resistance to the Bill amongst the Government's own supporters and assist its passage.



This suggested that, notwithstanding all the problems that had been identified, the balance of advantage lay with pressing ahead with the main Water Privatisation Bill in the first Session of the new Parliament.

d. The Alleviation of Human Infertility Bill dealt with moral issues on which the opinions of Members of Parliament reflected the divisions in the population at large. Even though it was proposed to allow free votes on the most sensitive points, within the framework of a Government Bill, the legislation would prove deeply divisive. There was a strong argument for deferring it to a later Session of the new Parliament, where it would not conflict with the Bills of mainstream political priority with which the Government would be pressing ahead in the first Session.

e. There were, on the other hand, arguments that pointed to dealing with the Alleviation of Human Infertility Bill as soon as possible in the new Parliament. Postponement of the Bill might make it harder, rather than easier, to manage its divisive qualities. The situation on the ground was changing quickly, and the need for proper regulation was becoming ever more apparent. If the Government did not act itself, there was every risk of another Private Member's Bill that would cause exceptional problems. The issue would fester until there was proper legislation, and the Government should seize the initiative.

THE PRIME MINISTER, summing up the discussion, said that the Cabinet had agreed that Bills on the Abolition of Domestic Rates, Housing and Education were measures of prime political importance that should definitely be taken in the first Session of the new Parliament. The Secretary of State for the Environment would shortly be bringing forward his proposals on housing to the appropriate Cabinet Committee. Further policy proposals were also being brought forward by the Secretary of State for the Environment on the privatisation of the water industry. Important arguments had been advanced in discussion both for pressing ahead with the main water privatisation measure in the first Session of the new Parliament and for tackling the matter in two stages, with the paving Bill in the first Session and the main privatisation measure in the second: these questions of phasing could not be finally resolved until the forthcoming reconsideration of policy had been completed in the light of the Secretary of State for the Environment's proposals. A difficult judgment would also be required on the timing of the Alleviation of Human Infertility Bill, on which discussion had exposed strong arguments pulling in both directions.

The final balance of the programme that would be needed, and the considerations bearing on the more difficult measures, would become clearer later in the year, and final decisions need not be taken now. The programme proposed in Annex A to C(87) 4 was provisionally agreed as the basis on which work on the preparation of Bills should be put in hand and in June the Cabinet should resume their consideration of the programme, on the basis of a further review by QL. In the meantime, the Secretary of State for the Environment should as soon as possible bring



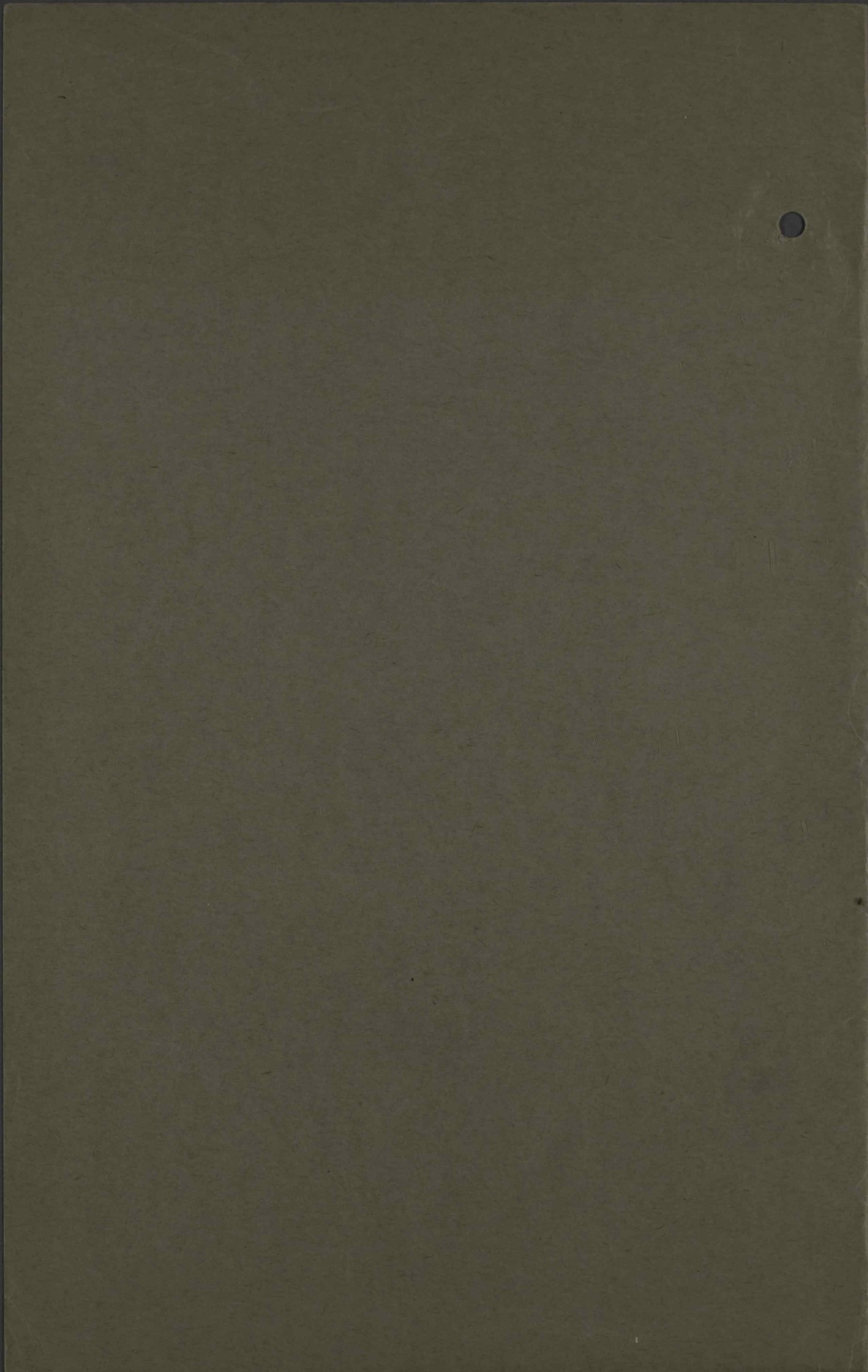
forward his proposals on housing and his revised policy proposals on water privatisation for consideration in the appropriate Cabinet Committees. Similarly, the Secretary of State for Trade and Industry should bring forward for collective consideration his proposals for approaching clearing arrangements in financial markets, together with any other matters relating to the City for which he discerned a clear need for early legislation.

The Cabinet -

1. Provisionally approved the legislative programme for 1987-88 set out at Annex A of C(87) 4, as the basis for work to be put in hand on the preparation of Bills.
2. Invited the Lord President of the Council to arrange for The Queen's Speeches and Future Legislation Committee to review developments bearing on the legislative programme for 1987-88 and to bring forward a paper for the Cabinet's consideration in June.
3. Invited the Secretary of State for the Environment to bring forward proposals on housing, and revised proposals on water privatisation, for consideration in the appropriate Committees of the Cabinet.
4. Invited the Secretary of State for Trade and Industry to bring forward for consideration in the appropriate Committee of the Cabinet his proposals for handling his approach to clearing arrangements in financial markets, together with any other matters related to the City for which he saw a pressing need for legislation.

Cabinet Office

27 March 1987



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SUBJECT

LAB 128/88

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	Thursday 9 April 1987	
	CIVIL SERVICE STRIKE	

MOST CONFIDENTIAL RECORD
TO
CC(87) 14th Conclusions

CIVIL
SERVICE
STRIKE

THE SECRETARY OF STATE FOR EMPLOYMENT said that the selective strikes by some civil servants might make it impossible for the unemployed in Scotland to receive any payments the following week. He thought it important that the Government should make clear that the effect of the strike was to harm the unemployed and others worse off than the strikers themselves. A further effect of the strikes would be that the processing of the unemployment figures would be delayed and the reliability of the figures affected.

In discussion it was said that -

- a. The Department of Health and Social Security would be examining whether any emergency arrangements might be needed for cases of genuine hardship. The selective strikes would be likely to affect that Department's work on the development of schemes in the area of family credit and personal pensions and would in effect be directed at social security reforms. Difficulties would be greater if the strikes were directed at computer operations.
- b. As the strikes were being undertaken in one region after another, it would be important to show that the first strikes had not changed the Government's position and to mobilise public opinion. This could influence the willingness of civil servants to strike in other regions.
- c. The Ministers principally concerned should concert urgently the presentation of the Government's case, as the public would be increasingly aware of the effects of the strike.

The Cabinet -

1. Invited the Secretary of State for Social Services and the Secretary of State for Employment to consider urgently ways in which any hardship created by industrial action in unemployment benefit and social security offices for those dependent upon benefits could be mitigated.
2. Invited the Chief Secretary, Treasury (in the absence of the Chancellor of the Exchequer) to co-ordinate with the Secretaries of State for Social Services and Employment the presentation of the Government's position in relation to the industrial action.



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MOST CONFIDENTIAL RECORD
TO
CC(87) 24th Conclusions

THE PRISON
POPULATION

THE LORD PRESIDENT OF THE COUNCIL said that, although the Home and Social Affairs Committee (H) had unanimously agreed to the Home Secretary's proposals for reducing the number of prisoners, increasing the number of prison places and temporarily taking over Rolleston Camp, they had not been able to agree with his suggestion that military personnel should be involved in running Rolleston for the prison service. There was doubt whether sufficient prison officers were available to operate Rolleston. Even if they could be found, to make them available would prejudice the Fresh Start working arrangements being introduced in the prison service. But any use of the Army in circumstances that were short of a manifest emergency was a matter that should engage the Cabinet and could not be settled in one of its Committees. H had therefore asked the Home Secretary and the Secretary of State for Defence to arrange for the options to be urgently explored, so as to inform the Cabinet's discussion.

THE HOME SECRETARY said that he did not claim that the present situation in the prisons was a manifest crisis. It was, however, on the brink of crisis, and a full scale emergency might develop at any time. The proposals that had been approved by H would bring the prison service great relief. Although Rolleston could not appropriately house either remand prisoners or dangerous offenders, its use as a prison was an important part of the package. The prison service had used Rolleston before, and were familiar with it. The sole remaining problem was on staffing the camp. The prison service was currently under severe strain and he would welcome any possible relief. He had already agreed with the Secretary of State for Defence that military personnel should not be used in duties that brought them into face-to-face contact with prisoners. What was at issue now was their deployment in back-up duties of various kinds. His assessment was that this use of military personnel in a temporary prison environment would run less risk of creating industrial trouble with the Prison Officers Association (POA) than would the use of any other group of people from outside the prison service.

THE SECRETARY OF STATE FOR DEFENCE said that it would be a completely new principle to use the military in aid of the civil power in any circumstances short of a manifest crisis. The face-to-face custody of prisoners was clearly the most sensitive of the duties in question, and he was grateful that the Home Secretary had agreed to find prison officers for that. Nevertheless, the deployment of military personnel even on such tasks as catering and maintenance would breach the point of principle, and he would have yet greater reservations about their deployment on perimeter security, which might bring them into coercive contact with prisoners at any time. He would very much prefer that the Home Secretary could find his way to run Rolleston without the involvement of any military personnel. The Chief of the Defence Staff fully shared his concerns.



The following main points were made in this part of the discussion -

- a. The maintenance of perimeter security, at least insofar as this involved external surveillance, seemed on the face of it to be a not inappropriate task for police. If there was no legal problem about such police deployment, then it seemed likely that sufficient numbers of police officers could be found for the task. It had to be accepted that any emergency staffing arrangements were likely to be expensive, whatever service was involved.
- b. The total number of staff involved in the whole Rolleston operation would be in the low hundreds. As custodial and security duties were removed from the argument, the number of residual jobs that the military might be asked to discharge became very small. The point of principle against military deployment thus loomed disproportionately large against the small manpower requirement that was in question.

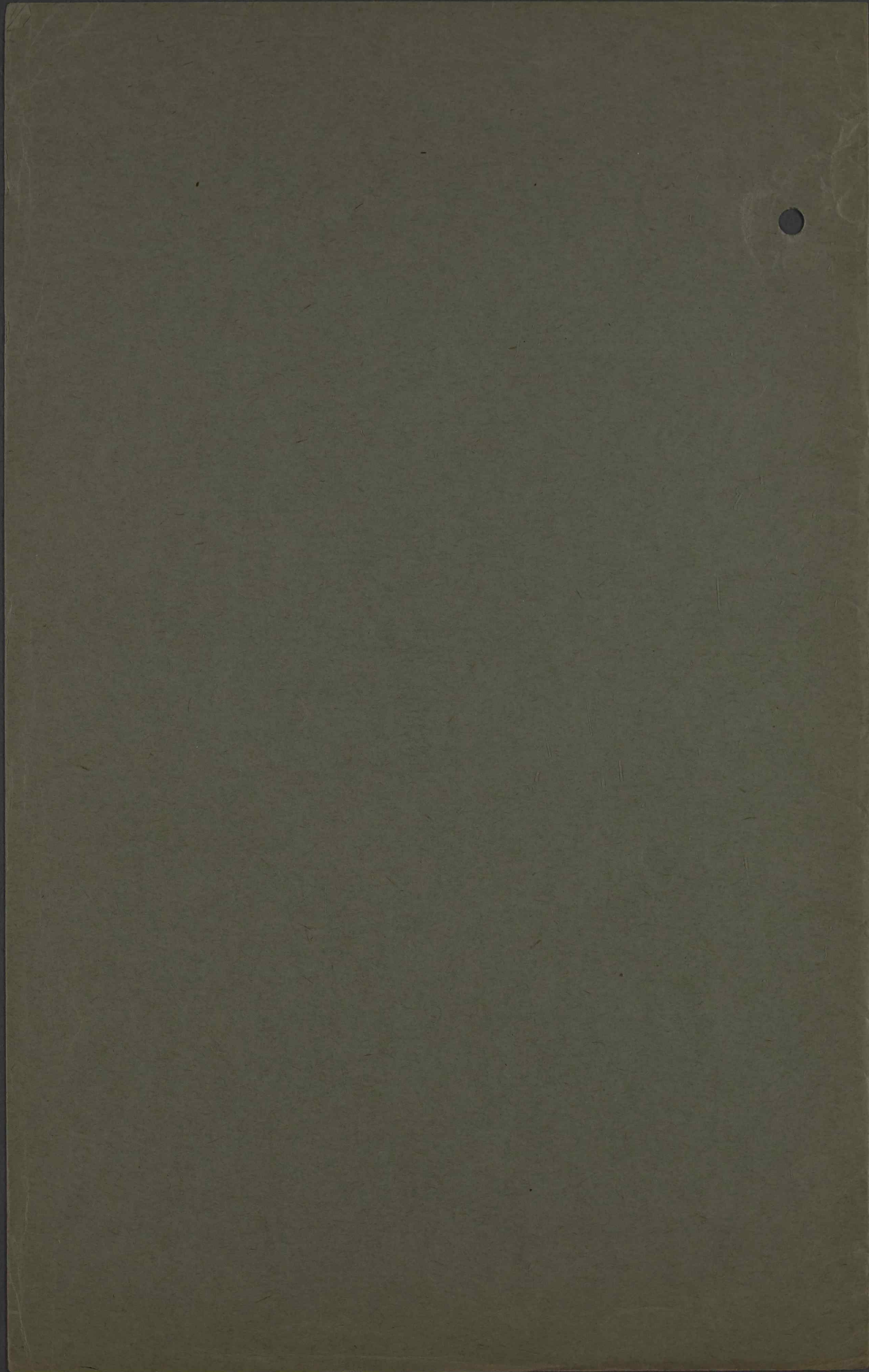
THE PRIME MINISTER, summing up this part of the discussion, said that while the Cabinet appreciated the difficulties for the prison service, they would not be willing to authorise the involvement of military personnel in the running of Rolleston or any other temporary prison accommodation until the fullest examination had been given to every alternative method of finding the necessary personnel. So far as perimeter security was concerned, it appeared on the face of it that the police would be the most appropriate service on which to rely if prison officers could not be made available. A decision on this and other matters raised was, however, clearly dependent on further consideration of the legal issues. The Home Secretary should make no public mention of the possibility of using service personnel, and he should give further thought to ways of running Rolleston without military involvement.

The Cabinet -

Invited the Home Secretary to be guided by the Prime Minister's summing up of their discussion.

Cabinet Office

17 July 1987



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SUBJECT

CAB 128/88

MOST CONFIDENTIAL RECORD

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MOST CONFIDENTIAL RECORD
TO
CC(87) 27th Conclusions

PRIMARY
HEALTH CARE

The Cabinet considered a memorandum by the Secretary of State for Social Services (C(87) 15) about the need for improvements in the primary health care services, and the scheme of dental charges for which he proposed to take powers in the forthcoming Primary Health Care Bill.

THE LORD PRESIDENT OF THE COUNCIL said that the Secretary of State for Social Services had brought his proposals to the Home and Social Affairs Committee (H) since they involved the contents of an early Bill, and since they touched on important policy questions of health care. The main point at issue was whether charges should be introduced for dental examinations, as well as for treatment. H had now considered the matter on two occasions, and the majority of the Committee were in favour of the scheme of charges proposed by the Secretary of State, since they saw no other way of meeting the challenging objectives that faced the Government in the health field. A minority of H, however, had felt that an issue of principle was involved, and that the imposition of the proposed charges would be a matter of the highest political controversy. While it would have been possible to sustain a ruling that H had settled the matter by a majority, it was clearly preferable that the full Cabinet should be involved in the resolution of a question of such political importance.

THE SECRETARY OF STATE FOR SOCIAL SERVICES said that he had inherited various Public Expenditure Survey (PES) commitments, including the sale of the portfolio of the General Practice Finance Corporation, for which he needed to obtain the doctors' agreement. He would also need to impose a charge on sight tests for the first time, which H had accepted. But he also had to find a way to respond to the disclosure by the Primary Health Care Review of a number of lamentable defects in the primary health care services. Ninety per cent of public contacts with the National Health Service (NHS) were with the primary health care sector, and improvements here would be popular, as well as being long overdue. Given his commitments elsewhere in the health budget, he had to consider a reallocation of resources within the primary health care sector. Since there had been a great improvement in dental health, it seemed clearly right to seek to switch resources from that area to those identified by the Primary Health Care Review, provided that the PES commitments were honoured. Dental charges were currently levied on the first £17 of treatment, and 40 per cent of the balance up to a maximum of £115. He proposed that, for the first time, charges should be levied on examinations, and that the charge should be at a simple rate of 75 per cent of examination and treatment, up to a maximum of £150. He proposed to maintain the present exemption arrangements (under which about 46 per cent of courses of treatment were currently provided free). His proposals would result in a very modest charge, somewhat below £3, for examination only. Since the public were already well accustomed to dental charges, he had no hesitation in seeking his colleagues' agreement for his proposed

scheme of charges, though it would be critical that their presentation should be able to stress how the new charges had enabled additional resources to be deployed in the primary health care field.

THE CHIEF SECRETARY, TREASURY said that he had no doubt that the proposed charges were justified on merits. Charging had already made a very useful contribution to health service funding and there was no evidence that charges had discouraged people from seeking the medical care they needed. It seemed inconceivable that the proposed modest charges for dental examinations, from which vulnerable groups would be exempted, could have that effect. The PES commitments to which the Secretary of State for Social Services had referred were substantial ones that stretched over the whole survey period. They represented offsets that had been agreed in previous public expenditure rounds in order to enable increases to be made in health spending. They were not new reductions, and it was essential that they should be met in full. Whilst he recognised the presentational arguments for the possible increases in primary health care expenditure to which the Secretary of State for Social Services had pointed, these would have to be considered in the forthcoming public expenditure discussions alongside other bids, in the usual way.

In discussion, the following main points were made -

- a. The Government had always approached increases of charges in the health service with the very greatest caution, but in the event the political trouble had never been as great as had been feared. Provided that the public could see improvements, they were unlikely to see a great issue on the present occasion, since dental charges were now familiar. The proposed scale of charges would result in lower charges for many minor courses of treatment. The increases were, in any event, very modest and would not be levied on those most vulnerable.
- b. On the other hand, the medical professions would certainly oppose the proposed charges and would argue that, for the first time, a charge was being required for diagnostic services. This would be represented as a major point of principle in itself, and it would be argued that charges for dental examination were particularly deplorable because dental examinations not infrequently disclosed other medical conditions. Fears would be worked up that the Government had it in mind to introduce charges for visits to the family doctor, and that the proposed charges were a foretaste of other changes to come.
- c. There was a particular difficulty, which the medical professions would exploit, about imposing a charge on dental examinations at a time when the Government wished to put the emphasis on preventive medicine. The improvement in the dental health of the country (which was not shared in Scotland) was partly due to the increase in regular visits to the dentist.
- d. The difficulties noted in discussion would largely be avoided if it were possible to raise the required amount of money from charges



for treatment. This possibility had, however, been examined by H which had concluded that the very high rate of charging that would flow from it would not be practicable. In particular, it was feared that such rates of charging might lead to many dentists leaving the NHS, although there was admittedly a surplus of dentists in the Service.

THE PRIME MINISTER, summing up the discussion, said that the public were well accustomed to dental charges, that the increases were modest, and that the proposed charge for the examination only was extremely small. The Cabinet accepted that it would be argued, particularly by sections of the medical professions, that charging for examination represented a dangerous new principle, and the view had been expressed in discussion that it would be a political mistake to incur that opposition. On balance, however, the Cabinet believed that the proposed charges represented a sensible and practical way of approaching the public expenditure problems posed by the health service, and that they should be implemented. It was self-evident that the presentation of the charges would be eased if it were possible to point simultaneously to improvements in the primary health care services; but that was a matter that would have to be resolved in the normal way in the forthcoming public expenditure discussions, in the light of all the relevant competing bids. No announcement of the proposed charges need be made until after the public expenditure round had been completed.

The Cabinet -

1. Approved the dental charges proposed in C(87) 15).
2. Invited the Secretary of State for Social Services to pursue the question of possible improvements in primary health care in the forthcoming round of public expenditure discussions.

Cabinet Office

11 September 1987

