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CABINET

THE LONDON AUTHORITIES (TRANSFER OF HOUSING ESTATES, ETC.) ORDER, 1970

Memorandum by the Minister of Housing and Local Government

The London Government Act, 1963 (Section 33) directs the Greater London Council to submit to the Minister of Housing not later than 1st April, 1970 a programme of transfers of Greater London Council housing to London boroughs. Where the Greater London Council and any borough are in agreement in requesting an order for a transfer the Minister has no option but to lay one. The Greater London Council have now agreed with 25 of the 32 London boroughs for the transfer of certain ex-London County Council housing estates totalling 46,000 out of the 210,000 Greater London Council houses in Greater London, and I am laying the requisite order on 13th February as I am bound to do (as in the draft attached to this paper). This is subject to negative resolution and the 40 days run out before 1st April, the date when it would come into effect.

2. The Party has always been opposed to these large-scale transfers in principle. There are two major objections to them:

(a) The housing problems of London can never be properly attacked unless London acts as a whole, with the less congested outer parts coming to the help of the more congested inner parts to the greatest possible extent. Any weakening and fragmenting of the strategic housing role and housing resources of the Greater London Council must be directly in conflict with this principle.

(b) Thirteen of the 25 boroughs taking part in the transfer proposals will be splitting single estates. One estate will be split three ways. As regards these estates, different rent structures, tenancies and management practices will grow up in these single groups of houses and the anomalies will be stark. This goes very much against good management principles.
3. Other points merit consideration:

(a) The South-East Economic Planning Council in their Memorandum on the Greater London Development Plan has recommended that all London's housing problems should be handed over to one authority (the Greater London Council); this is a very significant statement and whether or not it can be accepted in its entirety it requires detailed consideration.

(b) The Labour Group on the Greater London Council are strongly opposed to the proposed transfers.

(c) The tenants on one estate at least (St. Heller) are deeply opposed to the transfer.

(d) Three of the four boroughs under Labour Control have refused to take any part in the transfer proposals (the fourth, Barking, wish to take over the 8,300 ex-London County Council houses at Becontree).

(e) The boroughs (especially the inner boroughs) will have their hands very full with other housing activities; we do not want to see unnecessary management burdens put on them.

4. Nevertheless certain arguments may be advanced against the course I now propose.

(a) It may be said that the "strategic" argument (paragraph 2(a)) is not a good one because elaborate arrangements have been made to maintain nomination rights for the Greater London Council in the transferred estates.

(b) As regards the management argument against splitting estates (paragraph 2(b)), obviously this cannot apply to the twelve boroughs in which the transferred estates are not split. This cannot be denied - an order confined to those twelve boroughs would be a different thing, but it would of course still be open to the "strategic" argument.

(c) The boroughs who wanted the transfer might well say that they can cope with the management problems without undue difficulty.

(d) It might be pointed out that the White Paper on Local Government Reform gives housing management in metropolitan areas to the second-tier authorities.

(e) It may be argued that where the two tiers are agreed on the transfer this should not be rejected.
5. On balance I propose, if my colleagues agree, to advise the House to reject this Order. This should be done as soon as possible, not least because the Greater London Council elections are on 9th April and it will be desirable to have this matter settled well before then. It will not of course be settled permanently; the Greater London Council and any boroughs in agreement with them could always apply again for an Order at a later date. But we must take that problem as it comes; only legislation would be a permanent solution.

A.G.

Ministry of Housing and Local Government, S.W.I.

6th February, 1970
Whereas the Greater London Council and the councils of certain London boroughs have requested the Minister of Housing and Local Government to provide by an order under section 23(3) of the London Government Act 1963(a) for the transfer of certain housing accommodation for the time being vested in the Greater London Council;

And whereas the said councils have agreed the terms of such transfer;

And whereas the said Minister is required by the said section 23(3) to give effect to those terms;

And whereas certain further matters appear to the Minister necessary and proper for the purposes of or in consequence of that transfer:

Now therefore the Minister of Housing and Local Government, in exercise of his powers under sections 23(3), 84 and 85 of the London Government Act 1963 and all other powers enabling him in that behalf, hereby makes the following order:

Title, commencement and interpretation

1. This order may be cited as the London Authorities (Transfer of Housing Estates etc.) Order 1970, and shall come into operation on 25th March 1970.

2.—(1) The Interpretation Act 1889(b) applies to the interpretation of this order as it applies to the interpretation of an Act of Parliament.

(2) In this order—

“the deposited Schedule” means the Schedule “Properties transferred by article 3 of the London Authorities (Transfer of Housing Estates etc.) Order 1970” prepared in duplicate and sealed with the official seal of the Minister and as to which further provision is made in article 3(2);

“officer” includes the holder of any place, situation or employment;

“the Minister” means the Minister of Housing and Local Government;

and

“transferee authority”, in relation to housing accommodation transferred by article 3, means the London borough council to whom that accommodation is so transferred.

(a) 1963 c. 33. (b) 1889 c. 63.
(3) In the articles of this order, unless the context otherwise requires, any reference to housing accommodation shall include—

(a) a reference to garages, parking spaces and estate amenities; and

(b) a reference to shops where any such shop gives such access to a dwelling transferred by article 3 as to render the said shop and dwelling suitable for occupation by a single occupier;

and references to an area of housing accommodation shall be construed accordingly.

(4) In this order, unless the context otherwise requires, references to any enactment shall be construed as references to that enactment as amended, extended or applied by or under any other enactment or by this order.

(5) Any reference in this order to a numbered article shall, unless the reference is to an article of a specified order, be construed as a reference to the article bearing that number in this order.

(6) Any reference in any article of this order to a numbered paragraph shall, unless the reference is to a paragraph of a specified article, be construed as a reference to the paragraph bearing that number in the first-mentioned article.

Transfer of property

3.—(1) Subject to the provisions of article 13(3) and of Part III of the Schedule to this order, on 1st April 1970 any property described in any Part of the deposited Schedule and all liabilities (other than liabilities in respect of money borrowed) attaching to the Greater London Council in respect of any such property shall by virtue of this order be transferred to and vest in or attach to the authority named in the description of such Part, and—

(a) all contracts, deeds, bonds, agreements and other instruments subsisting in favour of, or against, and all notices in force which were given (or having effect as if they had been given) by, or to, the Greater London Council in respect of such property and liabilities shall be of full force and effect in favour of, or against, the authority named as aforesaid; and

(b) any action or proceeding or any cause of action or proceeding, pending or existing at 1st April 1970, by, or against, the Greater London Council in respect of such property and liabilities shall not be prejudicially affected by reason of this order, and may be continued, prosecuted and enforced by, or against, the authority named as aforesaid.

(2) One duplicate of the deposited Schedule is deposited in the offices of the Minister and the other in the offices of the Greater London Council. Copies of the deposited Schedule have been deposited with the transferee authorities and shall be open to inspection at all reasonable times.

(3) Nothing in paragraph (1) shall affect any grant or subsidy receivable by the Greater London Council in respect of housing accommodation transferred by that paragraph.

4. Any property or liability transferred by article 3 to the authority for any area shall be held or discharged by them in respect of the area.

5. Any byelaws in force for the regulation of any property transferred by the said article shall have effect as if they had been made by the authority to whom such property is transferred.
6. Any legal proceedings pending at 1st April 1970 may be amended in such manner as may be necessary or proper in consequence of this order.

7. Where under this order or any adjustment made in consequence hereof any liability or part of a liability charged indifferently on all the revenues of a public body or on any particular revenues or fund of such body is transferred to another public body, the liability or part of the liability shall be charged indifferently on all the revenues of the public body to whom it is transferred and shall cease to be a charge on any revenues or fund of the public body from whom it is transferred.

In this article, ‘public body’ and ‘revenues’ have the same meanings as in the Local Government Act 1933(a).

8. Where by virtue of this order any matter in respect of which, if this order had not been made, sums would have become due and owing to a consolidated loans fund is transferred to an authority other than the authority by whom such fund is maintained on and after 1st April 1970, such sums shall be paid by the first-mentioned authority to the authority by whom the fund is maintained.

Covenants affecting property

9. Unless the Greater London Council and the transferee authority otherwise agree, section 62 of the Law of Property Act 1925(b) (which implies certain words in conveyances of land, subject to the terms of the conveyance and the provisions therein contained) shall have effect—

(a) in respect of any property transferred by article 3; and

(b) in respect of any property, being property vested in the Greater London Council, which is affected by the said transfer,

as if the property described in (a) and (b) respectively had been the subject of a conveyance on 1st April 1970.

10.—(1) This article applies to any land within the extent of an area of housing accommodation transferred by article 3, being land in respect of which the Greater London Council have powers under section 151 of the Housing Act 1957(c) to enforce covenants entered into on the sale or exchange of land.

(2) In respect of any land to which this article applies—

(a) the Greater London Council shall consult with the transferee authority before exercising their powers under the said section 151;

(b) the transferee authority may require the Greater London Council to exercise the said powers in any case where such exercise is requisite in the interests of the area of housing accommodation within the extent of which the land is situated.

(3) The Greater London Council shall notify the transferee authority of any land to which this article applies and provide sufficient particulars of the covenants to which the said section 151 relates.

11. Any covenant (not being a covenant affected by article 10) which would be enforceable by the Greater London Council immediately before 1st April 1970 in respect of land within the extent of an area of housing accommodation transferred by article 3, being land which was sold or exchanged by the Greater London Council or by the London County Council and, immediately before such sale or exchange, was held by them for the purposes of the Housing Act 1957 or of any Act re-enacted by that Act, shall be of full force and effect in favour of the transferee authority.

(a) 1933 c. 51. (b) 1925 c. 20. (c) 1957 c. 56.
Rent books

12. Until a new rent book is issued by a transferee authority in respect of any housing accommodation transferred by article 3, notification to the tenant of the said accommodation of that transfer shall be deemed to be a compliance by the said authority as landlord with the requirements of section 2(1)(a) of the Landlord and Tenant Act 1962(a).

Terms of transfer of housing accommodation

13.—(1) A transferee authority shall make payments to the Greater London Council in accordance with the provisions of Part I of the Schedule to this order.

(2) The Greater London Council shall pay to a transferee authority sums calculated in accordance with the provisions of Part II of the said Schedule.

(3) The Greater London Council may exercise the rights and shall discharge the liabilities described in Part III of the said Schedule.

Housing Revenue Account

14. Notwithstanding the provisions of paragraphs 1 and 2 of Schedule 5 to the Housing (Financial Provisions) Act 1958(b), the Greater London Council and each transferee authority shall enter in their Housing Revenue Account any sums receivable or payable under or by virtue of this order, being sums which relate to matters which would have been so entered if this order had not been made.

Nomination rights

15.—(1) Until 1st April 1982 the Greater London Council may, without payment, nominate tenants to such proportion of the vacancies in the dwellings transferred by article 3 to a transferee authority, not exceeding 65 per centum of such vacancies, as they may determine from time to time.

(2) Without prejudice to paragraph (1), the Greater London Council may agree with a transferee authority, before 1st April 1982 in respect of nominations in excess of the said 65 per centum, or after that date as to any nominations, and any such agreement may include such terms (whether as to payment or otherwise) as may be agreed between the parties or, in default of agreement, as may be determined by the Minister or by an arbitrator appointed by him.

(3) Nothing in this article shall affect any agreement as to nominations subsisting between the Greater London Council and a London borough council at the coming into operation of this order.

Notices to be given

16. To enable the Greater London Council to provide the Minister with such information as he may require from time to time in order to determine any question relating to a grant or subsidy or the amount thereof, a transferee authority shall notify the Greater London Council of any action taken in respect of any housing accommodation transferred by article 3, being such action as may affect the payment of such a grant or subsidy or the amount thereof.

17.—(1) This article applies to each financial year until 1st April 1973.

(2) Where the Greater London Council—

(a) 1962 c. 50.  
(b) 1958 c. 42.
(a) have, as from 1st April or any later date in any year, applied a general increase to the rents payable on housing accommodation provided by them; or

(b) have resolved to apply (whether or not they have authority to apply) any such general increase as from 31st March next following, or any earlier date,

they shall give notice to that effect to each transferee authority not later than 31st December in the said year.

(3) A notice given under paragraph (2) shall include sufficient details of how the increase would have applied to the housing accommodation transferred under article 3 to the transferee authority concerned if the transfer had not been effected.

(4) The Greater London Council shall provide to each transferee authority sufficient information from time to time of the cost and functioning of the rent rebate scheme operated by them under section 113 of the Housing Act 1957.

(5) The Greater London Council shall notify each transferee authority by 30th September in each year of their estimate of the average cost of maintenance and management of each dwelling owned by them in the year concerned, such notice including separate particulars as to flats and other housing accommodation so owned.

Transfer of staff

18.—(1) The Greater London Council shall make a scheme for the transfer to transferee authorities of any officers employed by them at or in connection with any area of housing accommodation transferred by article 3.

(2) The scheme mentioned in paragraph (1) shall specify—

(a) the officers or categories of officers liable to be transferred;

(b) the method of determining the number of officers in each category to be transferred;

(c) the means of selecting officers in any category for transfer; and

(d) the date of transfer,

and different provision may be made for different circumstances.

(3) The scheme mentioned in paragraph (1) may require the payment by a transferee authority to the Greater London Council until 1st April 1972 of sums equal to not more than one-half of the basic remuneration of any officer who, with the agreement of the transferee authority, is not transferred under the said scheme although he falls within a category specified therein for such transfer.

Protection of staff

19.—(1) This article applies—

(a) where an officer is transferred under the scheme mentioned in article 18; and

(b) where an officer (not being an officer within item (a)) is transferred in consequence of any transfer of housing accommodation by the Greater London Council in circumstances approved by the Minister for the purposes of this article on the application of the said Council.

(2) Every officer entering (or having entered) the employment of a transferee
authority shall, so long as he continues in that employment by virtue of the transfer, enjoy terms and conditions of employment not less favourable than those he enjoyed immediately before such transfer:

Provided that this paragraph shall apply to the scale of the salary or remuneration of the officer only so long as he is engaged in duties reasonably comparable to those in which he was engaged immediately before his transfer.

Any question whether duties are reasonably comparable as aforesaid shall be determined by a tribunal established under section 12 of the Industrial Training Act 1964(a).

Superannuation

20.—(1) Where an officer who, immediately before his transfer to a transferee authority under the scheme mentioned in article 18 or as mentioned in article 19(1)(b)—

(a) was subject to an election not to participate in the benefits of the superannuation fund maintained by the Greater London Council under Part I of the Local Government Superannuation Act 1937(b); and

(b) had an expectation of a gratuity payable according to years of service, that election shall remain in effect and such a gratuity shall, subject to terms and conditions which are not less beneficial, be payable in respect of his previous service and of any service rendered to the transferee authority.

(2) Section 35 of the Local Government Superannuation Act 1937 shall apply to an expectation under this article as it applies to a right under that Act.

Arbitration

21. Subject to any provision of this order, any dispute arising under this order or in consequence thereof shall be determined by an arbitrator appointed by agreement between the parties in dispute or, in default of agreement, by the Minister and, subject as aforesaid, the provisions of the Arbitration Act 1950(c) shall apply to any arbitration under this article.

SCHEDULE

Article 13

TERMS OF TRANSFER OF HOUSING ACCOMMODATION

PART I—PAYMENTS TO THE GREATER LONDON COUNCIL

1. In the year ending on 31st March 1971, a transferee authority shall pay to the Greater London Council by quarterly instalments in arrears a sum being the amount of the rents which were receivable by the latter authority on 31st March 1970 less the amount of—

(a) the estimated value of rent rebates in the said year based on the said rents calculated as if the housing accommodation had not been transferred; and

(b) the costs of management and costs of maintenance which were met in the year ending on 31st March 1970.

2. In each of the years ending on 31st March 1972, 31st March 1973 and 31st March 1974, a transferee authority shall pay to the Greater London Council by quarterly instalments in arrears a sum being the amount of the rents which would have been

(a) 1964 c. 16.  
(b) 1937 c. 68.  
(c) 1950 c. 27.
receivable by the latter authority on 31st March 1971, 31st March 1972 or 31st March 1973, as the case may be, if the housing accommodation had not been transferred, less the amount of—

(a) the estimated value of rent rebates in the said year on the basis of the said rents; and

(b) the costs of management and costs of maintenance which would have been met in the year ending on 31st March 1971, 31st March 1972 or 31st March 1973 as the case may be if the housing accommodation had not been transferred.

3. In each subsequent year until 31st March 1982, a transferee authority shall make the like payments to the Greater London Council as those mentioned in the last preceding paragraph with reference to the year ending on 31st March 1974.

4. In this Schedule, references to rents receivable on 31st March in a year are references to the amount of those rents on that basis for the year immediately after the said date.

5. In this Schedule, references to rents, rent rebates, costs of management and costs of maintenance are references to the rents, rebates or costs in respect of the housing accommodation transferred by article 3 to the transferee authority.

6. In the calculation of the amount of payments for the purposes of this Schedule, no regard shall be taken of any improvement carried out wholly or partly at the expense of a transferee authority or of any disposal or demolition of housing accommodation transferred.

7. In the calculation of rent rebates for the purposes of this Schedule, no regard shall be had to any change of tenancy after 31st March 1970.

8.—(1) In the calculation of the costs of management and costs of maintenance for the purposes of this Schedule, the Greater London Council shall assess such costs in respect of separate classes, namely flats and other housing accommodation transferred by article 3, and, in the calculation of costs of maintenance, each such class shall be divided into housing accommodation first occupied before 1st January 1940 and on or after the said date.

(2) The Treasurer of the Greater London Council shall certify—

(a) the average cost of management and the average cost of maintenance of each class and division of housing accommodation assessed under this paragraph; and

(b) the number of units transferred in each such class and division;

and the costs of management and the costs of maintenance shall be the total sum of the average costs in (a) multiplied by the relevant number in (b).

9. Where a transferee authority takes any action in respect of housing accommodation transferred by article 3 which results in the reduction or withdrawal of any grant or subsidy payable, that authority shall pay to the Greater London Council such sum (whether annually or as a single amount) as may be agreed to represent the value of the grant or subsidy which would have been paid.

10. After 31st March 1982, a transferee authority shall pay to the Greater London Council such sum as may be agreed to meet the liabilities of the latter authority with respect to the housing accommodation transferred by article 3 to the transferee authority, and any such agreement may include terms as to payment over a period and as to the allocation of any grant or subsidy receivable by the Greater London Council.

**PART II—SUMS PAYABLE BY THE GREATER LONDON COUNCIL**

1. By 30th September 1970 the Greater London Council shall pay to each transferee authority the two sums calculated under this Part of this Schedule.
2. The first sum is $\frac{x}{y}$ of the amount of the total balance of the Housing Repairs Account of the Greater London Council on 31st March 1970, where—
   - $x$ is that number of dwellings to which the said account relates which are transferred by article 3 to the transferee authority; and
   - $y$ is the total number of dwellings to which the said account relates on 31st March 1970.

3. The second sum is $\frac{p}{q}$ of the amount of the total balance of the Key Deposit Account of the Greater London Council on 31st March 1970, where—
   - $p$ is that number of dwellings to which the said account relates which are transferred by article 3 to the transferee authority; and
   - $q$ is the total number of dwellings to which the Housing Revenue Account of the Greater London Council relates on 31st March 1970.

**PART III—RIGHTS AND LIABILITIES OF THE GREATER LONDON COUNCIL**

1. The Greater London Council shall be entitled, on giving due notice, to use any equipment, plant, stores or materials transferred by article 3 for the purpose of the maintenance of any part of the area of housing accommodation concerned which is retained by them.

2. The Greater London Council shall meet the costs of works of modernisation or major improvement, being costs incurred in respect of a period before 1st April 1970.

3. The Greater London Council shall meet all costs of repair and minor improvement started or contracted for before 1st April 1970.

Given under the official seal of the Minister of Housing and Local Government on 1970.

Minister of Housing and Local Government.

**EXPLANATORY NOTE**

(This Note is not part of the Order.)

This Order gives effect to the terms agreed between the Greater London Council and the councils of certain London boroughs for the transfer of housing accommodation to the latter councils, and makes consequential provision as to the transfer and protection of staff and other matters.
10th February, 1970

CABINET

LEGISLATIVE PROGRAMME 1969-70

Memorandum by the Lord President of the Council

At their meeting on 5th February, 1970 the Cabinet invited me to circulate a memorandum on the progress of the current legislative programme (CC(70) 6th Conclusions, Minute 2).

2. The Annex to this memorandum shows the stage reached by all Bills included in the approved essential list, main programme and reserve list and Second Reading Committee list, and by other Bills which it has subsequently been decided to introduce. It will be seen from this that, leaving on one side the two Bills which are to be fitted in if time permits (Civil Aviation and Registration of Employers), there are eleven Bills in the main programme yet to be introduced, of which Public Service Superannuation may be disregarded since it will not be required this Session unless the Session is prolonged.

3. Of the remaining ten Bills, Atomic Energy Authority and Local Authority Social Services have been approved by Legislation Committee and should be introduced this week; Electricity has also passed Legislation Committee, but is held up pending the addition of provisions conferring wider manufacturing powers. Industrial Safety and Health and Trawler Safety it is hoped to bring before Legislation Committee next week. That leaves five Bills - Commission on Industry and Manpower, Drugs, Mineral Workings (Offshore Installations), Industrial Relations and Shipbuilding and Industry Guarantees, of which at least the first two should be ready in March.

4. I drew attention earlier in the Session to the fact that instructions for main programme Bills were coming forward too slowly and that we were not making the best use of our drafting resources. As a result we now have too many Bills chasing too few draftsmen. Some main programme Bills have been held back to enable others to make better progress; and Second Reading Committee Bills, which are of lower priority, have been generally delayed. Moreover, in these circumstances time spent in improving the drafting of Private Members' Bills which we accept in principle inevitably delays the drafting of Government Bills.
5. Because Bills have been coming forward slowly, both Houses have been short of legislative business. The Lord Privy Seal drew attention last week to the situation in the House of Lords; and in the Commons we have had to eke out the business on the Floor with Supply Days and debates on Orders. (Standing Committees, on the other hand, are fully extended, as we have known all along they would be). I well understand that the Lords would like more Bills, but Bills which are highly controversial politically or largely financial in character must start in the Commons; of the 28 Bills introduced in the Commons, 15 have already been passed to the Lords.

6. We have, I think, a reasonable chance of passing all the Bills in the main programme by the Summer Recess except those which are both long and late in coming forward; Industrial Relations comes in this category and so will Civil Aviation, unless it can be shortened. But, in order to keep to this timetable, I must ask my colleagues to ensure that outstanding instructions are submitted as soon as possible and that their Departments deal speedily with drafts and queries.

T.F.P.

Privy Council Office, S.W.1.

10th February, 1970
ANNEX

Progress of Bills in Essential List, Main Programme and Reserve List, and Second Reading Committee List (omitting Scottish Bills)

I. Essential List (including Contingent Bills definitely required)

Royal Assent

Expiring Laws

Introduced

General Rate

Films

Export Guarantees and Payments

Instructions Received

Guyana Republic

Coal

No instructions

Merchant Shipping Act 1894 (Amendment)

II. Main Programme

Royal Assent

Industrial Development (Ships)

Rent (Control of Increases)

Transport (London) Amendment

Introduced

Administration of Justice (HL)

Agriculture

Education

Equal Pay

Gas

Local Employment

Matrimonial Proceedings and Property (HL)

Merchant Shipping

National Superannuation and Social Insurance

Ports

Passed Commons, awaiting Committee in Lords

Committed, 2nd February

Committed, 2nd February

In draft, but final form depends on Guyana legislation

First draft (one or two policy points outstanding) - Leg. Committee, probably February

Passed Lords, committed (Commons) 4th February

Committed, 6th November

Second Reading, 12th February

Second Reading, 9th February

Committed, 11th December

Passed Commons, awaiting Committee in Lords

Passed Lords, committed (Commons) 28th January

Committed, 2nd December

Committed, 19th January

Committed, 18th December
Instructions Received

Atomic Energy Authority

* Civil Aviation
Commission on Industry and Manpower
Drugs

Electricity

Industrial Safety and Health
Local Authority Social Services
Mineral Workings (Offshore Installations)
Trawler Safety

No instructions

Industrial Relations
Public Service Superannuation
Shipbuilding Industry Guarantees
* Registration of Employers in Construction Industry

* To be fitted in later if time permits

III. Bills not in the Approved Programme

Royal Assent

Customs (Import Deposits)
Police
Ulster Defence Regiment

Instructions Received

Caribbean Development Bank
No instructions
International Monetary Fund
National Health Service (Contribution)
Oil in Navigable Waters
Tonga Independence
Upper Clyde Shipbuilders

SEP 10th February

IV. Reserve List

Introduced

Animals (HL)
Industrial Training
Local Authorities (Goods and Services)
Radiological Protection (HL)

Passed Lords, committed (Commons) 4th February
Second Reading, 10th February
Passed Commons, awaiting Committee in Lords
Passed Lords, Second Reading in Commons 10th February

Instructions received

Resealing of Scottish Confirmations and English Grants
Water Resources

Preliminary work in hand

No instructions

Compensation for Injurious Affection
Interpretation of Statutes

HAC 13th February

V. Second Reading Committee

Introduced

Insolvency Services

Passed Commons, Report in Lords 10th February (taken under normal procedure)

Instructions Received

Bank Holidays
Diplomatic and Commonwealth Secretariat Privileges (Hydrocarbon Oils)
Education (Miscellaneous Provisions)
Fire Precautions
Land Obligations
Mines and Quarries

Departmental comments awaited
Bill ready except for clearance of two new policy points
Drafting in progress
Drafting in suspense
Drafting in suspense
Drafting in progress
No instructions
Building Societies
Juries
Local Borrowing Overseas for
Diplomatic Accommodation
Medical Act Amendment

Revised instructions awaited
10th February, 1970

CABINET

PAY OF SCHOOL TEACHERS IN ENGLAND AND WALES

Memorandum by the Secretary of State for Education and Science

As foreshadowed in her oral report on 20th January (CC(70) 3rd Conclusions, Minute 2), the First Secretary of State and I met the teachers' panel of the Burnham Committee on 23rd January. We exerted every pressure and gave every possible assurance to persuade them to co-operate in arbitration. They maintained their refusal "at this stage" and asked for further discussions in Burnham, on the ground that, if incomes policy was as flexible as we had said (in the context of an arbitral award), the management ought to be able to raise their offer.

2. At the further Burnham meeting on 6th February the management went no further than to make open their without prejudice offer of £85 overall. When this was rejected, they again sought arbitration. The teachers asked for further negotiation. The chairman adjourned the committee until 13th February so that he could consider his own position. He will probably consult Department of Employment and Productivity officials this week. Unless the management take some initiative, there will be deadlock again next Friday.

3. There are strains within the teachers' panel, but no real sign of weakening, either on the arbitration issue or on the total £135 interim claim for 1st April, 1970. Area strikes, which, even on a small scale, would be more embarrassing to us than any so far, are planned after half-term.

4. The local authorities still think, by a majority, that an increase in the £85 offer will, if large, be more than they can afford and, if small, fail to produce agreement - and, either way, be construed as weakness in the face of pressure. They do not expect the teachers to change their mind, for the present at least, about arbitration. They therefore think that the way out may lie in bringing forward the effective date of the restructuring and comparability settlement, hitherto envisaged as 1st April, 1971. There will be further discussions before 13th February in the management panel, but at present there are two variants under study.
Under variant A, which only some of the local authority associations support, there would be an interim settlement for 1st April, 1970, either by agreement at £85 overall or by arbitration, no doubt at a somewhat higher figure (? £100), and a full scale new settlement from 1st January, 1971. Under variant B there would be no increase at all this April, but the restructuring would take effect on 1st October, 1970. The local authorities are likely greatly to prefer variant B, which, by putting the restructuring on a base not pushed up by any interim increase, would both cost less after 1970-71 and give greater scope for the much needed restructuring.

5. A worthwhile restructuring and comparability operation might cost, at a guess, something like 15 per cent in all. Both variants would give the teachers more in 1970-71 than they would get from the £85 for this April which we have so far fixed as our limit, but neither variant involves raising the £85 offer as such. Staging would, I think, be almost impossible. I cannot yet make an accurate costing, but in cash terms variant A might cost £54 million in 1970-71 and variant B £42 million, against £27.5 million for the present offer and £44 million for the teachers' £135 claim. But there would be no further increase, as hitherto envisaged, in April, 1971 and all the increase would go on restructuring, so using resources much more effectively than by dissipating them on an interim settlement. It is true that A would involve a marginal breach of the twelve months' rule, but it could be presented as a staged package, and there are recent precedents for worse breaches in the local authority field. Though the teachers' panel have so far insisted that they want the interim claim settled first, I know that some at least of them would be interested in variants A or B. The local authorities are likely to be ready to put B forward on 13th February, but it is not certain that the teachers will accept it. They are heavily committed to their interim claim, and may not be prepared to wait a further six months or so even though B offers a better prospect of a really improved structure if only they could see it.

6. Though the exact amount cannot be known in advance of negotiations, either of these variants would cost extra money, but might provide a way to break the deadlock without violence to incomes policy, loss of face on either side, or surrender to duress. I cannot tell just how things will go, but quick decisions may be vital and I should like to seek my colleagues' contingent agreement that my representatives on the management panel need not object, on grounds of total cost (the only ground on which we can stand in Burnham), to either of these variants, if the local authorities, who have to meet nearly half the cost, wish in the event to propose either or both of them to the teachers.

7. This brings me to the National Board for Prices and Incomes. The reference, to which my colleagues have already agreed in principle, is ready to be made at any time. If on 13th February the teachers stand pat on the interim claim and still refuse to co-operate over the restructuring, I think we should make it at once; we would have the backing of the management panel. If on the other hand the teachers agree to variant A or B and to an early start on a restructuring review in Burnham, we need not make the reference for the present.

E. W. S.

Department of Education and Science, W. 1,
10th February, 1970
10th February, 1970

CABINET

UPPER CLYDE SHIPBUILDERS

Note by the Secretary of the Cabinet

By direction of the Prime Minister, I am circulating a copy of the Opinion of the Attorney General and Mr. J. P. F. E. Warner (dated 6th February, 1970) on certain questions arising in connection with Beagle Aircraft Limited. The Opinion is relevant to the question of Upper Clyde Shipbuilders which will be discussed at Cabinet on Thursday, 12th February.

(Signed) BURKE TREND

Cabinet Office, S. W. 1.

10th February, 1970
Opinion of the Attorney-General and Mr. J. P. F. E. Warner

We are asked to advise upon the following questions arising in connection with the affairs of Beagle Aircraft Limited:

1. Whether the directors of the company might be liable in civil or criminal proceedings, the material provisions of the Companies Act 1948 being sections 330 and 332?

2. Whether any implied commitments for Her Majesty's Government arose from the directors' actions?

3. Whether the Minister of Technology could be the subject of criticism in a creditor's action against the Minister or in the course of a winding up; and

4. Generally, as to the principles that should guide the Ministry in other similar cases.

Section 330 of the Companies Act 1948 provides:

"If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the court or subsequently passes a resolution for voluntary winding up,

(a) has by false pretences or by means of any other fraud induced any person to give credit to the company;

(b) with intent to defraud creditors of the company, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company;

(c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since, or within two months before, the date of any unsatisfied judgment or order for payment of money obtained against the company;

he shall be guilty of a misdemeanour and shall be liable on conviction on indictment to imprisonment for a term not exceeding two years, or on summary conviction to imprisonment for a term not exceeding twelve months."
There is no evidence before us to suggest that the directors are guilty of offences against that section.

3. Subsections (1) and (3) of section 332 of that Act provide:

(1) "If in the course of the winding up of a company it appears that any business of the company has been carried on with intent to defraud creditors of the company or creditors of any other person or for any fraudulent purpose, the court, on the application of the official receiver, or the liquidator or any creditor or contributory of the company, may, if it thinks proper so to do, declare that any persons who were knowingly parties to the carrying on of the business in manner aforesaid shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the court may direct."

(3) "Where any business of a company is carried on with such intent or for such purpose as is mentioned in subsection (1) of this section, every person who was knowingly a party to the carrying on of the business in manner aforesaid shall be liable on conviction on indictment to imprisonment for a term not exceeding two years or to a fine not exceeding £500 or to both."

4. In our opinion the position of the directors in relation to section 332 cannot be considered independently of that of the Ministry. Liability under section 332 both civil and criminal extends to any person who is "knowingly a party" to the carrying on of the business of the company "with intent to defraud creditors". Such liability is not confined to officers of the company; it extends, in our opinion, to any person who is party to the offence. It is true that the section does not apply to the Crown, but this would not in our opinion justify the Crown in doing that which, if done by anyone else, would be an offence under the section.

5. The word "defraud" in the section connotes "actual dishonesty involving, according to current notions of fair trading among commercial men, real moral blame", so that, if a company continues to carry on business and to incur debts at a time when there is to the knowledge of those responsible for its affairs "no reasonable prospect" of the creditors ever receiving payment of those debts, it is, in general, "a proper inference" that the business of the company is being carried on "with intent to defraud" those creditors - (per Maugham J. in Re William C. Leitch Brothers Ltd. 1932 Ch. 71, 77 and in Re Patrick and Lyon Ltd. 1933 Ch. 786, 790).

6. In the present case, we understand that the Ministry had no reason to doubt the company's solvency before October, 1969. We have before us the minutes of a meeting held on 21st June, 1968. This meeting appears to have been concerned primarily with the size and purpose of the
Government's investment in the company, but the directors were warned during the course of it against undertaking a development programme which would render the company insolvent. The Ministry's position was merely that of shareholder and creditor and it was under no duty (at all events to the other creditors) to keep itself informed as to the company's solvency. There can therefore, in our opinion, be no criticism of the Ministry's conduct during this period.

7. In October, 1969, however the Ministry were made aware that the company was insolvent, at all events unless the Government loans were treated as if they were share capital. With this knowledge, the Ministry, for six weeks, provided the company with cash for the express and limited purpose of enabling it to continue trading without incurring a compulsory liquidation at the instance of the creditors. This would have been indefensible had it not been for the Minister's intention (evidenced, for example, in his letter to the Chief Secretary of 24th November, 1969) to make available such funds as might eventually be necessary to pay the creditors - for it is not suggested that the Ministry expected the company to become solvent as a result of such continued trading, or otherwise. It was, we understand, the Ministry's hope that, if the company continued to trade, it would be able to sell its business as a going concern and thereby realise more from it than it otherwise would; but the existence of such a hope would not, of itself, be an adequate answer to a charge of fraudulent trading.

8. It is against that background that the position of the directors in relation to section 332 must be considered. As regards the period before October, 1969, it may well be that their belief that the Government loans could be treated as if they were share capital was misplaced. But there is no reason to doubt its genuineness. As regards the later period the directors were entitled to assume (despite the formal situation and despite the various disclaimers by officials in the Ministry of personal authority to commit the Government) that the Government would in fact see the creditors paid, because otherwise, as we have pointed out, the Government's own actions would have been indefensible. We do not suggest that the directors necessarily examined section 332 and reasoned as we have done, but they were able to reach the same conclusion by reference to "current notions of fair trading among commercial men". Moreover, that it was the correct conclusion was confirmed to them by what was said by the Paymaster General at the meeting held on 13th October, 1969. The subsequent correspondence shows that it was in fact the conclusion that they reached. In those circumstances we do not think that the directors could be held liable under section 332.

9. By the same token we are of opinion that, as a practical matter, the Government cannot now disclaim liability to the creditors of the company. Whether in fact the directors had authority express or ostensible to pledge the Government's credit and whether, if so, they did pledge it, seems to us immaterial. The crux is that the Government
could now resist the claims of creditors only by asserting in effect (and in disregard of the Minister's intention) that it had chosen to adopt a course which, if adopted by anyone else, would have rendered them liable, in a winding up of the company, for fraudulent trading.

10. We are asked to advise generally as to the principles that should guide the Ministry in other similar cases. In our opinion, the fundamental principle is that the Ministry should never knowingly be a party to an insolvent company continuing to carry on business unless either (a) there is a reasonable prospect that by doing so, or by some other-means, it will become solvent again or (b) the Ministry is satisfied that such funds as may be needed to pay the creditors will be available from its own resources or otherwise. One solution, where it is desired to give Government assistance for the carrying on of a business that is owned by an insolvent company, will be to form a new company to buy the business free from the liabilities of the old company, ensuring that the new company's share capital is sufficient to give it a reasonable prospect of remaining solvent. The special circumstances of particular cases may suggest other solutions, e.g. a scheme of arrangement under section 206 of the Act.
CABINET

REPORT BY THE NATIONAL BOARD FOR PRICES AND INCOMES
ON SERVICE PAY

Memorandum by the Chancellor of the Exchequer

On 12th June, 1969, Cabinet approved (CC(69) 27th Conclusions, Minute 3) a recommendation from the National Board for Prices and Incomes (NBPI) that the Armed Forces should in future be paid a "military salary", with the same rate of pay for single as for married men and charges for services (such as rations and accommodation) which are at present provided free. Cabinet at the same time agreed the further NBPI proposal that the level of the military salary should be fixed by a form of job evaluation, with an addition, "the 'X' factor", to compensate for the special disadvantages of Service life. The Secretary of State for Defence announced these decisions in the House of Commons, and in other public announcements made it clear that the effective date for the new system would be 1st April, 1970.

2. The NBPI have now produced a further report, due to be published in the next week or two, on the outcome of their job evaluation studies, recommending the charges to be applied for hitherto free services and the rates of military salary for each rank in the Armed Forces. It is estimated that to pay the Armed Forces at the rates proposed by the NBPI would add about £135 million to the present cost of Armed Forces' pay and the cost of the existing free services. Of this some £75 million would come from the general pay increase for all Servicemen arising from job evaluation and assessment of the 'X' factor, as recommended by the NBPI in their report; about £5 million from improvements in allowances; £3 million from adjustments to pay and charges for married quarters; and £52 million from introducing the military salary. The general pay increase amounts to a 15 per cent addition to the cost of Armed Forces' pay; the above increases all taken together amount to a 25 per cent addition.

3. The Ministerial Committee on Prices and Incomes considered this matter on 6th February. The Secretary of State for Defence proposed that the recommendations of the new NBPI Report should be accepted, in fulfilment of the Government's public undertaking of last June and in the interest of maintaining morale and improving recruitment to the Armed
Forces. He accepted, however, that to avoid creating serious
difficulties for the defence budget, some of the total increase should
be postponed to 1st April, 1971, and for this purpose he proposed
that part of the increase for single men should be staged, with the
result that they would not reach pay parity with married men until
April, 1971. This would reduce the total increase in Armed Forces' pay by about £23 million in 1970-71. It would be consistent with the
suggestion in the NBPI Report that the Government should consider
staging some of the larger of the increases proposed, particularly
the once-for-all increases required to bring the emoluments of single
men up to married rates.

4. The Committee agreed that the NBPI's recommendations should
be accepted in principle. I have also said that I am prepared to agree
that the £43 million by which the 1970-71 Defence Estimates fall short of
the defence budget limit previously set for that year should be offset
against the increase to be made in Armed Forces' pay for the year,
on the understanding that the costs of the pay increases in the second
year of their operation will be absorbed in the defence budget limits
fixed for that year, and that the same will apply to the third and fourth
years when defence budget limits for these are determined.

5. However, the Committee were concerned about
a possible disparity between the Government's treatment of Servicemen
and other groups, including nurses to whom we are prepared to offer only
a 16, 2 per cent pay increase this year, with a deferment to next year of
the remaining 0, 3 per cent of their total increase. They considered
that the Armed Forces' pay increase should be further staged, with for
example 16 per cent now and a further 9 per cent next year instead of
the 20 per cent and 5 per cent staging proposed by the Defence Secretary.

6. The Committee is to meet again this afternoon to consider two
alternatives:

(i) Staging on the basis of 20 per cent of the total increase in
emoluments this year and 5 per cent next year

This would involve payment this year of the 15 per cent general
pay increase and deferment for 12 months of about one half of
the cost of introducing the military salary. It would save about

(ii) Staging on the basis of 16 per cent this year and 9 per cent next
year

Under this alternative, the pay rates emerging from the formula
at (i) above would be further abated for the first year either:

(a) by one quarter for married and single men; or
(b) by a larger amount for single men only.

This abatement would be made after allowing for the charges which the Armed Forces will have to pay in future for services hitherto provided free. It would save a further £20 million.

7. I shall report at Cabinet on Thursday the outcome of the Committee's discussion of these alternatives for staging part of the Services' pay increase for 1970-71.

R. H. J.

Treasury Chambers, S. W. 1.

11th February, 1970
10th February, 1970

CABINET

REPORT BY THE NATIONAL BOARD FOR PRICES AND INCOMES ON SERVICE PAY

Memorandum by the Secretary of State for Defence

The purpose of this memorandum is to explain why my colleagues should accept the Third Report of the National Board for Prices and Incomes (NBPI) concerning the pay of the Armed Forces, while staging the introduction of the "Military Salary" over two years. The background of the Report and a summary of the main issues it raises are at Annex A. Annex B sets out my undertakings on this subject in the House last June. A breakdown of the costs resulting from the recommendations of the Report following those of the Second Report which the Government accepted in principle last year is at Annex C. Specimen pay scales are set out in Annex D. Annex E contains a proposed draft statement to be made to the House when the NBPI report is published.

2. I should like to make the following points:-

(a) We are firmly committed in principle to the introduction with effect from 1st April, 1970, of a new pay code for the Forces based upon the Second Report under the Standing Reference to the NBPI of last year. The recommendations in their latest Report fulfil our explicit mandate; they are strongly argued on their own merits and are accepted by the Board as being consistent with incomes policy; thus their rejection would destroy confidence in the Board and undermine the credibility of any current or future reference of pay, whether in the public or private sector, to the NBPI or to the Commission for Industry and Manpower. Moreover the field work of collecting job evaluation data was carried out by officers and men of the three Services under the direction of the Board and its industrial consultants. If there were any attempt to tamper with the interpretation of these data in order to suit preconceptions of what the increases should be, it would rapidly become known. This in itself would discredit the whole system of reference to the Board - with disastrous consequences for the Government's proposal that the pay of teachers should be referred to the Board,
Ever since the Standing Reference was made in November, 1967, the Services have been persuaded to accept the abolition of the Grigg system in expectation of a new deal and a square deal from the Board, as custodian of the Government's prices and incomes policy and as an independent arbiter by whose advice the Government intend to be guided in future. We cannot now reject recommendations which flow from principles to which we have publicly committed ourselves without arousing public indignation and creating serious discontent among Service personnel; the collapse of confidence in the Government would lead to an early manpower crisis in the Armed Forces and leave us no hope of finding the necessary number of recruits. We know that many officers and men are simply waiting to see whether we are prepared to give practical effect to the broad principles which we endorsed a year ago. If we do not they will leave and a falling rate of re-engagement (which hitherto has held up fairly well) will be added to our external recruiting difficulties. The Forces will then fall far short of their requirements, not only in total numbers but also in the levels of skill and responsibility on which depend their efficiency. As I warned my colleagues a year ago, the consequences of failure are clear. Compulsory military service would be the only means of maintaining our promised contributions to NATO, and this would raise military and economic problems quite as formidable as the obvious political difficulties.

I could not accept or defend the withholding of the proposed increases on the grounds of possible repercussions elsewhere in the public service. We should stand publicly convicted of a complete lack of principle. We overthrew the Grigg system and denied the Services in 1968 and 1969 the full increases which would have been forthcoming under that system, partly on the grounds that the method it used for determining the movement of officers' pay depended on comparisons with the rest of the public service which were quite inappropriate. We deliberately substituted job evaluation techniques and have insisted that it was right to do so. We cannot discard the results of applying such techniques in order to revert to comparisons of a kind which we have publicly discarded.

I have carefully considered the implications of the Board's recommendations for the defence budget. £75 million is required by the Board's recommendation to pay increases on account of job evaluation and their assessment of the 'X' factor, representing 15 per cent of the total value of existing Service emoluments in cash or kind, on grounds which they justify as compatible with current incomes policy. Associated improvements in the remaining allowances will add another £5-£7 million; such allowances are not taken account of in calculating pay increases in civilian or military life. It will also cost £52 million to introduce the new military salary which would remove the discrimination against single men which has no equivalent in civilian life. Annex A, paragraph 20, shows that of this total, all but about £23 million can be met in 1970-71, either within the defence budget target or outside it as a normal pay and price increase.
4. There would be obvious difficulties in adding £23 million to the defence budget next year. I am also conscious that the Board have suggested in their report that we may wish to consider staging the larger increases proposed, particularly those required to bring the emoluments of single men up to married rates. There are most formidable objections to any form of staging, both in principle and practice; these are set out in paragraph 21 of Annex A. Nevertheless, because of the Board's observations and the pressure which has already been put on the defence programme, I accept that we should seek to defend a measure of staging confined to single men and sufficient to fill the defence budget gap, since, as the Cabinet agreed last year, I have already warned the Services that if I could not make all the necessary sacrifices elsewhere in the defence budget some degree of staging might be required. Further staging would be wholly indefensible in the light of the considerations in paragraph 2 above. By carrying out the Board's suggestion in the manner described in paragraph 22 of Annex A, we should have respected their position as custodians of the Government's incomes policy, while minimising the risks to which any form of staging must give rise. Thus single men, while receiving like married men the 15 per cent increase arising from job evaluation and the 'X' factor, would achieve full parity with married men only in 1971-72. The introduction of the military salary would in effect be phased in almost equal proportions over two years.

5. At the request of my colleagues on the Ministerial Committee on Prices and Incomes I have examined the possibility of staging a further £20 million of the total from 1970-71 into 1971-72 so that it might be argued that the total increase in emoluments to the Services as a whole arising from all elements in the NBPI proposals, including the introduction of the military salary, was no higher than 16 per cent. Two methods of achieving this have been considered - either wholly at the expense of the single men or equally at the expense of single and married men. Neither method is acceptable.

(a) If further staging were wholly at the expense of single men this would involve no movement whatever towards parity between married and unmarried men; indeed many single men would actually be receiving a smaller increase than married men, in flat contradiction to the undertaking which I gave on 16th June, 1969, with the Cabinet's agreement (see Annex B). The real value of a recruit's total emoluments at present is only £11 1s. 10d, including the value of food and accommodation which he receives in kind. The NBPI considers that the average earnings which a potential recruit similarly qualified could receive in industry is around £17 a week. Under my own proposals in paragraph 4 above, a single man at the point of recruitment would receive £15 1s. 0d a week. Nothing lower in my view would be acceptable to the Services or compatible with the need for more recruits.
(b) If the further £20 million of staging were split equally between married and unmarried men no serviceman or woman would receive the increases justified either by the principle of parity or by the findings of job evaluation. Some of the lowest-paid, e.g., married privates for whom no public quarters are available, would receive increases reduced to no more than 3-7 per cent, and servicemen out of quarters would in general be particularly hard hit.

6. Both methods would create a large number of anomalies and hard cases, many of which could not be detected until the postbags of Ministers and Members of Parliament began to fill. For example, many men on duty in Northern Ireland would receive increases lower than their Special Duty Pay which is due to terminate on 1st April next. In short, the benefits of the new system of Service pay, on which the Services and the Government have set so much store, would not be felt for another twelve months. In the meantime the decline in recruiting and the collapse in Service morale might well have rendered our existing problems insuperable.

Recommendations

7. I therefore invite my colleagues:

(a) To agree to implement the Board's recommendation with effect from 1st April next subject to the proposals for staging in paragraph 4 above which are in accordance with the Board's suggestions.

(b) To agree that I should make a statement in the House as at Annex E on the day when the Board publishes its report.

D. W. H.

Ministry of Defence, S.W.1

10th February, 1970
ANNEX A

THIRD REPORT OF THE NATIONAL BOARD FOR PRICES AND INCOMES

CONCERNING FORCES' PAY

The Grigg System

The Grigg system which governed the movement of the pay of the Armed Forces up to April 1966 provided for biennial reviews so that the pay of other ranks could follow percentage increases in the Index of Average Industrial Earnings during the preceding two years, and the pay of officers could follow the percentage increases in the pay of certain Civil Service grades then held to be analogous over the same period.

Reference to NBPI

However, in November, 1967, the Government decided to abandon the Grigg system and, instead, to make a Standing Reference of the pay of the Forces to the National Board for Prices and Incomes. We have been under severe pressure and criticism for abandoning the Grigg system in favour of the Standing Reference, on the grounds that it was discriminatory and broke faith with the Forces, who are debarred from militant industrial action such as might be expected from members of other occupations similarly treated. We have defended our position on the following counts:

a. the Grigg system was unsatisfactory in that it provided for the movement of pay but contained no provision for the scrutiny of the levels of pay. Even the movement achieved applied only to a part of Service emoluments, and brought about no increase at all in allowances (such as marriage allowance) which are an integral part of pay in every other walk of life;

b. the system was founded on crude comparability of a kind which was difficult to reconcile with incomes policy or to defend on its own merits;

c. the system contained no provision for the review of the structure of Service pay, which was outmoded at the time of the Standing Reference to the Board.

Interim Awards

The whole structure and rates of Service pay and allowances have now been the subject of a systematic and painstaking review by the Board for over two years. To avoid a worsening of the Forces' manpower position, which was - and is still - precarious, interim pay increases were recommended and put into effect in 1968 and 1969: but these were less than would have been forthcoming by the same dates under the Grigg system. As was explained in a memorandum to the Prices and Incomes Committee last Summer (PI(69)31), after the interim increases in pay referred to above the Services were still lagging behind the Grigg formula by about 5% for officers and over 8% for other ranks, even disregarding movements in the Index since the 31st October 1968. Simply to bring the level of pay up to that produced by the Grigg formula would require a total increase in basic pay alone of £31M in 1970/71.
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31st October 1968. Simply to bring the level of pay up to that
produced by the Grigg formula would require a total increase in basic
pay alone of £31M in 1970/71.
Second Report of NBPI - the "Military Salary"

4. Last year the Board recommended that for the long-term a new pay code should be worked out and introduced with effect from the 1st April 1970, under which the discrimination in pay between the married and the single Serviceman would be abandoned and all Servicemen regardless of their marital status would receive a common basic salary subject to tax; both married and single men would pay quartering or accommodation charges to be deducted at source from taxed pay. Single men hitherto provided with food at public expense would pay a standard ration charge, though this would be remitted in circumstances specified in the Report.

5. This recommendation was based on the following considerations:

a. The present combination of pay, allowances and benefits in kind is so complicated that it is difficult to convey to potential recruits what their earnings in the Services will be, or even for Servicemen themselves to calculate what their true earnings are;

b. the present system offers the lowest emoluments to single men, a category whom the Services are particularly anxious to recruit;

c. in any other walk of life it would be regarded as intolerable to pay men in the same jobs not according to the work done but according to whether they were married or not. In the Services not only has the administration of the existing system been unsatisfactory, in that there has been no agreed system for the review of marriage allowance, but there has been a disincentive to enlistment because potential recruits cannot understand it;

d. civilian pay does not distinguish married men from single men; this function is left to income tax. Since the Servicemen pays income tax in the same way as a civilian, the single man suffers discrimination.

6. The Board's recommendations last year called for:

a. the use of job evaluation techniques to obtain data on Service and civilian relativities which, together with other factors, would form the basis for a decision on new pay levels within the framework of the "Military Salary" concept. The Board commissioned two firms of management consultants to work with the Services, the Board and the Civil Service Department to carry out this task;

b. studies of a percentage addition to Service Pay, described as the "X-factor" to compensate for elements in Service life which might withstand any attempt at measurement in relation to standards obtaining outside. In their latest Report the Board define these factors as danger, discipline and the loss of personal freedom, the inability to change jobs and the
turbulence that is inseparable from Service life, with some element in respect of irregular hours of duty; weighing against these factors a number of advantages, such as adventure, variety, opportunities for travel, sport and recreation and to earn promotion and carry real responsibility at a young age.

7. Finally the Board last year reviewed additional pay and those allowances issued to Servicemen either to compensate them directly for expenditure necessarily incurred for Service reasons or for service in especially arduous conditions or in branches calling for particular specialist skills. The Board's recommendations in these matters too were covered by the Government's broad acceptance in principle of last year's Report.

The Latest Report

8. The Government last year accepted in principle the Board's proposals as a basis for a new structure of Forces' pay, along lines which would make it possible to establish a clear relationship between the emoluments of Servicemen and their civilian counterparts. My statement to the House is at Annex B. The Services have been assured of our determination to put the new pay code into effect on 1st April.

9. In their latest Report the Board:

a. report on the outcome of the job evaluation studies which they have turned into recommended pay scales, including the "X-factor";

b. for reasons given in Chapter 3 of their Report, recommend that the Services should follow the policy which the Government have applied by statute to local authorities, and make the associated increases in married quarter charges by stages. This has the incidental effect of improving the relative position of the lowest paid other ranks. They have recommended interim rates which they suggest should apply until they next review Forces' pay. Single men, however, will pay full charges for food and accommodation hitherto provided in kind;

c. develop in detail their recommendations on additional pay and allowances, based largely on the outcome of direct negotiation and discussion between the Ministry of Defence and the Civil Service Department;

d. suggest that the Government may wish to consider staging some of the larger of the increases proposed, particularly the once-for-all increases required to bring the emoluments of single men up to married rates.

Costs

10. The short term recommendations by the Board which we decided to put into effect last year included the continuous payment of ration allowance to married men, as a step towards the introduction of the "Military Salary". We are advised that, even had the Board not published its latest recommendations, this would have made ration allowance under the existing pay code taxable from 1st April next. We should have had to compensate for this by grossing the rates of
ration allowance for tax at an annual cost of £18M.

11. The pay increases arising from job evaluation and the assessment of the X-factor are estimated to involve a total additional cost to the Services of £75M, representing an increase of some 15% in the total value of existing Service emoluments in cash or kind. Improvements in allowances are estimated to cost a further £5 - 7M. The total money cost is estimated to be of the order of £135 - 137M. (The bracket represents an area in which discussion is still continuing between the Civil Service Department and Ministry of Defence of certain improvements in allowances, and does not affect pay). This total necessarily follows from our acceptance a year ago of the "Military Salary" concept and the elimination of the anomaly of differential rates for single and married men for doing the same job. For the same reason, since much of this money cost is recovered by the Government in new charges and taxes, the resource cost is only about £75M.

12. The costs are broken down in greater detail in Annex C. Annex D sets out the associated pay scales. For married officers in quarters the net increases will be offset by the reduction of batman service in married quarters. It would be more accurate to describe this as part time domestic help (commonly be women cleaners) hitherto provided as a service to certain officers in married quarters. For these officers, who may set a cash value on this service it can be argued that the net percentage pay increases will not exceed 5.1%; while the junior officers affected will actually suffer net losses as shown in Annex D, page 1. Against the benefit of the total package, this can be accepted. However, the point illustrates the impossibility of reducing the proposed pay scales.

Manpower

13. The costs have to be considered against the very serious manpower position of the Forces. Even when the rundown of the Forces is complete we shall continue to need some 40,000 recruits a year if we are to maintain the Force levels required by our published Defence policies. This is rather higher than our earlier estimates, the increase reflecting an increased manpower turnover expected to result from the necessity of offering shorter engagements in an attempt to attract a wider field of recruits. Allowing for recent recruiting shortfalls (in 1968/69 we recruited under 29,000) we shall still need, on average, about 45,000 recruits annually for the next few years, even allowing for the run-down of the Forces. Recruiting in recent months has shown some improvement but, even so, we expect to recruit no more than about 34,000 in 1969/70.

Incomes Policy

14. The following passage in Cmnd 4237 bears directly on the question. Although proposals for future wage restraint will turn on a band of permitted rises between 2½% and 4½%, the White Paper explicitly recognised that a fundamental reorganisation of pay structure might well involve increases in pay which, on average, work out significantly above the normal range (paragraph 55). The same paragraph of the White Paper referred in this context to "a more rational pay structure based on job evaluation". Although the White Paper is discouraging in its attitude to pay increases purely on the grounds of labour supply difficulties it recognises that increases significantly above the normal range may be justified where detailed information is available about
comparative pay and earnings for clearly similar jobs, and the
discrepancy so substantial that even with an increase of 4½% in pay,
the employer is still likely to be left with serious labour
difficulties (paragraph 89).

15. In the case of the Public Services the White Paper recognises
that more reliance has to be placed in determining pay on the closest
comparisons possible with the pay of workers doing similar jobs in the
private sector, subject to periodic reviews by the NBPI or precisely
the kind which they have carried out in the case of the Armed Forces
(paragraph 94). It should by now be widely accepted that to deny
justifiable increases to the Public Services carries the risk of
creating manpower difficulties which only take effect over a period
of years and may take a correspondingly long time to eradicate.
Moreover it may only be possible to eradicate them at the expense of
embarrassingly large increases at the end of the day. The Armed
Forces provide a case in point.

16. The Board recognise the validity of our concern about the manpower
position, and also say that in putting forward the proposed pay scales
they have been guided very largely by job evaluation, though it has
been necessary to eliminate from the pattern of Service pay inconsist­
cencies such as are found in the civil pay structure.

17. In discussing the outcome of job evaluation the Board emphasise
that Service trades for other ranks tend to be bigger than civilian
jobs because of the greater breadth, versatility and supervisory
responsibility required by the Services in their employees. In the
case of officers the Board note that outstanding civilians, at all
levels except the lowest, can expect faster promotion and that the
careers of Service officers are relatively short. They also say that
comparisons with civilian pay need to take account of the great
differences that exist between Service and civil organisations,
differences stemming from a basic difference of purpose. They point
out that the Services' targets are set for them by the Government in
terms of numbers of men. They must seek to deploy these numbers as
efficiently as they can, but overall improvements in efficiency do not
necessarily lead to cost reductions of the kind that might be reflected
in pay under an efficiency agreement. However they believe that the
structural changes they propose will help to make the Services more
efficient because more highly skilled manpower will be better rewarded
and more likely to remain in the Services, thereby bringing about a
greater return for the cost of training and facilitating improved
effectiveness in the deployment of manpower.

18. The Board emphasise that their recommendations involve some
substantial changes in existing pay relativities, both within the
Services and between the Services and outside employment. They
believe that the changes within the Services will be acceptable to
them. The changes in external relativities result mainly from
applying the new method which we accepted last year of comparing
Service pay with the current level of pay in civilian employment. The
Board are explicit that the new pay scales should not be used by
workers outside the Armed Forces (either in the public or the private
sector) as a basis for pay claims designed to restore the relativities
with the Armed Forces that may have been traditional in the past. If
this is accepted the recommendations cannot be fairly criticised
because of their possible repercussions on the remainder of the public
services or on the private sector.
Finally it is relevant to incomes policy considerations that the Board describe their evaluation of the "X-factor" as "experimental". They intend to consider in the course of future reviews whether it needs to be changed, taking into account the numbers of recruits that come forward and the proportion of men that is willing to re-engage. They suggest that the correct size of the "X-factor" element in pay might be the average Serviceman's assessment of the nature of his job compared with that of an equivalent job in civilian life. On this basis most Servicemen are likely to hold that the Board have paid insufficient regard to the elements in Service life which justify the "X-factor".

**Defence Budget Implications**

Of the total cost of £135-137M referred to in paragraph 11 above, £245M has been agreed to be equivalent to a normal pay increase which does not have to be met within the 1970/71 Defence Budget target; this leaves £90-92M to be found. £25M was set aside within the target for the additional cost of Forces' pay in 1970/71, and the Defence Estimates are £153M below the target. On the assumption that the whole of this saving can be devoted to Forces' pay, a total of £68M is available, leaving a gap in 1970/71 of £22-24M. For 1971/72 the £90-92M will be reduced by £30M, a notional allowance for a further year of normal pay increases, leaving £60-62M to be found. £25M has already been reserved within the target for this purpose so the net amount which has still to be found in 1971/72 is £35-37M. It is proposed to find savings sufficient to offset this cost by the time the 1971/72 Estimates are finalised. For 1972/73 a firm target will be fixed following the 1970 Public Expenditure Review and the cost of Forces' pay will be included within this target.

**Staging**

In view of the sums involved in the implementation of the whole of the Board's recommendations with effect from the 1st April and in the light of incomes policy considerations the possibility of some staging of the increases has been considered. On the one hand the Board have suggested that the Government may wish to consider staging the larger increases proposed, particularly those required to bring the emoluments of single men up to married rates. On the other hand, any form of staging gives rise, both in principle and practice, to great difficulties:

a. The scope is limited. We are publicly committed by an undertaking that there will be a very substantial increase for Servicemen next year, and that the Forces as a whole will be better off than they could have expected under Grigg. Much of the cost of the Board's proposals must be attributed to straight-forward restructuring, i.e. introducing common rates of pay for single and married men and turning allowances (grossed for tax) into pay, before any actual increase is paid.

b. Servicemen leaving on pension during the period of any staging would suffer a permanent loss in their pension rates.

/c.
c. Staging would in itself be likely to rob the good effects which we expect from the new pay code of much of their impact. Servicemen enjoyed their last pay increase under the Grigg system in 1966. They were entitled to a full increase under whatever substitute system the Government might devise in 1968. They received instead what were in effect staged awards in 1965 and 1969 which, in the view of the Board, have still left them underpaid by current civilian standards. Any further staging, i.e. until the 1st April 1971, would mean that five full years had elapsed between the last full pay increase for the Services in 1966 and their next one in 1971. On the most rigorous interpretation of incomes policy it has never been suggested that such prolonged staging should apply to any other occupation or profession, and to impose it would be regarded by servicemen as intolerable discrimination.

22. If, despite these objections, it is felt necessary to meet the problem of the excess of £22 - 24M on the Defence budget in 1970/71 by staging, the form of staging which would be least difficult to defend, and which would accord best with the Board's own suggestion, is to give single men a pay increase with effect from April this year sufficient to offset the food and accommodation charges which will be introduced for them at that date, and to give them about one-half of the balance of the total increase recommended for them by the Board, the remaining half to be paid with effect from 1st April, 1971. (Staging can be only for one year since in two years' time we are committed to a further review of Forces' pay by the Board under the Standing Reference). The effects of this proposal are included in Annex 'D'.
For the long term, the Government have accepted the recommendation that the forces should in future be paid a military salary which, while implying no reduction in the payment of married soldiers, will bring the payment of unmarried soldiers up to the level of married soldiers and will also require the forces to pay charges for those services which are now provided free, such as rations and accommodation, guaranteeing that the forces will get increments of pay directly parallel and equal to the charges which they are then expected to pay.

The other two major long-term recommendations of the Board relate to the way in which pay rates for the individual ranks and trades are determined. The Government accept the Board's recommendation that this should be decided by the most objective form of job evaluation which can be devised and that an addition should be made to compensate Servicemen for the special disadvantages of Service life such as turbulence, danger and discomfort.

The new proposals, which will be brought in next year, will represent a very substantial increase in pay for the Services above what they could have expected if the Grigg formula had been maintained. One of the most important aspects of the Board's report is that it demonstrates that the base from which the Grigg formula started no longer represents the relative skill and qualification of Servicemen compared with people in civil life, and that, therefore, the pay of Servicemen relative to those in civil life should overall be substantially better than was envisaged under Grigg.
### Total Cost of Proposed New Salary Rates

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<tr>
<th>Description</th>
<th>£m</th>
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<tbody>
<tr>
<td>Add net increase in other allowances</td>
<td>5 - 7</td>
</tr>
<tr>
<td>Deduct increased MQ charges to be recovered</td>
<td>6.5</td>
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<tr>
<td>Deduct food/accommodation charges for single men</td>
<td>23.5</td>
</tr>
<tr>
<td>Deduct Existing pay</td>
<td>333</td>
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<tr>
<td>Deduct marriage allowance</td>
<td>62</td>
</tr>
<tr>
<td>Deduct ration allowance (grossed for tax)</td>
<td>55.5</td>
</tr>
<tr>
<td><strong>NET COST OF NBPI PACKAGE AT 1.4.70</strong></td>
<td>135 - 137</td>
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</table>

This increase is made up of:

#### Military Salary Costs

<table>
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<tr>
<th>Description</th>
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<tr>
<td>Issue of marriage allowance (at current rates) to single men</td>
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<tr>
<td>Issue of ration allowance</td>
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</tr>
<tr>
<td>(Adjusted after deduction of £18M included in £55.5m above)</td>
<td>66</td>
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<tr>
<td>Deduct food/accommodation charges for single men</td>
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<tr>
<td>Increased pay to single men to give same rates of pay as married men</td>
<td>42.5</td>
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<tr>
<td>Increased pay to married men to cover increased quartering charges</td>
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#### COST OF MILITARY SALARY

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<tr>
<td>Increased pay to married men to cover increased quartering charges (grossed for tax)</td>
<td>9.5</td>
</tr>
<tr>
<td>Deduct increase in MQ charges to be recovered</td>
<td>6.5</td>
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**NET EFFECT OF INCREASED MARRIED QUARTER CHARGES**

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<td>INCREASES IN OTHER ALLOWANCES</td>
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<td>INCREASE IN SALARY ARISING FROM JOB EVALUATION AND THE 'X-FACTOR'</td>
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<tr>
<td><strong>NET COST OF NBPI PACKAGE AT 1.4.70</strong></td>
<td>135 - 137</td>
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</table>
(1) Ration allowance is currently paid net of tax. Since its continuous issue from July, 1969 to all married men, it becomes a taxable emolument and allowance must therefore be made for the tax liability of its recipients.
## OFFICERS - ANNUAL RATES

<table>
<thead>
<tr>
<th>Rank</th>
<th>Current Pay, MA &amp; RA(Net)</th>
<th>NBPI Military Salary</th>
<th>Full NBPI Proposals</th>
<th>As Staged by S of S for Defence</th>
<th>Actual Gross Increases (After allowing for Charges)</th>
<th>Full NBPI Proposals</th>
<th>As Staged by S of S for Defence</th>
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<td>B</td>
<td>C</td>
<td>D</td>
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<td>Married Officers out of Quarters %</td>
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<td>*Single Officers in Mess %</td>
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*Current rates take into account value of free food and accommodation*
## OTHER RANKS - WEEKLY RATES

<table>
<thead>
<tr>
<th>Rank</th>
<th>Current Pay, MA &amp; RA (Net)</th>
<th>NBPI Military Salary</th>
<th>Full NBPI Proposals</th>
<th>As Staged By S of S for Defence</th>
<th>Full NBPI Proposals</th>
<th>As Staged By S of S for Defence</th>
</tr>
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<td>Married Other Ranks in Type B' Quarters</td>
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</tbody>
</table>

**Married Other Ranks in Private Accommodation**

**Single Other Ranks in Mess**

*Current rates take into account value of free food and accommodation.*
The Government has received the National Board for Prices and Incomes Third Report on Forces Pay and has accepted the Board’s recommendations.

2. A year ago the Board recommended the creation of a comprehensive salary structure which would provide the same rate of pay for single and married servicemen. This "military salary" would include compensation for the withdrawal of free services which had previously been provided in lieu of salary. It was also proposed that the Services should, because of the special conditions of their employment, receive an additional emolument. This was to be known as the X factor. Payment of the military salary and the X factor was deferred until new rates of pay could be determined in the light of a job evaluation exercise. This has now been completed.

3. The cost of implementing job evaluation and the X factor proposal is £75m in a full year. This represents an increase of 15% over the present value of the Services total real emoluments. The current Prices and Incomes White Paper explicitly recognises that a fundamental reorganisation of pay may involve increases which on average work out appreciably above the normally acceptable rate. It also anticipates that larger increases are justified when as a result of pay rates that have fallen seriously out of line with comparable employment a serious manpower shortage is the result. Both these criteria apply to forces pay. This increase will be paid in full with effect from 1st April, 1970.

4. It is important to recognise - as does the Board - that this recommendation involves a substantial change in the relative positions of the forces and civilian pay. By comparison with the civilian sector, the Armed Forces have been underpaid. To bring up forces' pay to levels comparable with civilian employment cannot, as the Board made plain, be a justification for pay increases elsewhere. The Board make this very clear.

5. The cost of achieving parity between married and single men's pay is £52m in a full year. It corrects an anomaly in the forces pay structure which has no parallel in other occupations. Single pay will be brought up to the married level in two roughly equal stages. The first will be paid on the 1st April, 1970, the second a year later. As the NBPI recognise that part of the total pay bill might be staged, in April of this year the increase in pay received by single servicemen - as it includes both the job evaluation increases and the first stage of the military salary - in most cases be appreciably greater than that received by their married counterparts.

6. The substitution of pay for benefits previously provided in kind does not, of course, make any addition to the salary bill. A number of allowances have, however, been revised. The increased cost of these amounts to £7m in a full year.

NOTE: * Dependent on the resolution of the detailed issue outstanding between the CSD and the Ministry of Defence.
7. The House will I am sure agree that the application of job evaluation and the radical revision of Service pay that the standing reference to the NBPI has made possible, provides the basis for a military salary which, both in terms of equity and efficiency, can be supported with confidence.
11th February, 1970

CABINET

UPPER CLYDE SHIPBUILDERS LTD.

Memorandum by the Paymaster General

The Ministerial Steering Committee on Economic Policy invited me, in consultation with the Chief Secretary, to circulate a memorandum setting out our joint approach to the problem of further assistance to this company.

2. The company have stated that

(a) They need a £4 million loan from the Government to enable them to meet outstanding bills from their trade creditors. They expect to need a further £3 million for this purpose in April/May.

(b) Given these loans, they expect to be able to get by with their normal bank overdraft and normal trade credits up to mid-January 1971, beyond which they have not estimated their cash flow position.

3. The company are also concerned to ensure that they do not continue trading while insolvent. They estimate that there is at present a deficiency in their assets as against their liabilities of about £4 million and they give this as a further reason for needing £4 million now. They say that if a lesser amount than £4 million is lent to them now to pay bills, they could accept it only if assured that a total of £7 million will be forthcoming from the Government as required.

4. But this is not necessarily the whole bill. The Attorney General is advising on the extent of the Government’s responsibility for meeting the company’s liabilities to trade creditors and any contingent liabilities such as to shipowner customers (C(70) 24). The Government may already have incurred a responsibility.

5. The Chief Secretary and I are not satisfied with the figures supplied by the company and at the meeting on 30th January of the Ministerial Group particularly concerned with Upper Clyde Shipbuilders (UCS) and the Chief Secretary suggested that £2½ million or a little more as necessary should be advanced in order to pay the most urgent debts. I agreed to that
amount at that time. The Chief Secretary is visiting the company today and will assess as far as the available information allows

(a) How far the company's present debts need to be paid immediately.

(b) The company's future cash flow.

(c) The magnitude of the company's liabilities in the event of liquidation now and in 12-18 months.

6. On the basis of the advice to be given by the Attorney General and the oral report which the Chief Secretary will make on his visit, the Cabinet will wish to consider:

(a) Whether there is a reasonable prospect that, with up to £7 million in loans and the guarantees which were promised in the Government statement of 11th December in Parliament, the company will be able to make ends meet for not less than twelve to eighteen months.

(b) If the Government must be regarded as having a responsibility for UCS liabilities, whether the provision of further assistance is likely to lead to a reduction or an increase in these liabilities;

and to decide in the light of these considerations whether a loan of £4 million or some other amount should be made to the company immediately.

Ministry of Technology, S.W. 1.

11th February, 1970
11th February, 1970

CABINET

UPPER GLYDE SHIPBUILDERS LIMITED

Memorandum by the Attorney General

At its meeting on 10th February, 1970 the Ministerial Steering Committee on Economic Policy invited the Law Officers to advise, in the light of my Opinion on Beagle Aircraft Limited (circulated under cover of C(70) 24), on the extent of the Government's liabilities, if any, to the creditors of Upper Clyde Shipbuilders Ltd. (UCS).

2. In that Opinion I expressed the view that a Government Department would be party to fraudulent trading (within the meaning of s. 332 of the Companies Act 1948) if the Department was knowingly a party to an insolvent company continuing to carry on business, unless

(a) there was a reasonable prospect that by doing so, or by some other means, it would become solvent again; or

(b) the Department was satisfied that such funds as might be needed to pay the creditors would be available from its own resources or otherwise.

It now appears that UCS are insolvent and have in effect been insolvent since, at any rate, August 1968. The question arises whether the Ministry of Technology have knowingly been party to the Company carrying on business while insolvent and without a reasonable prospect of solvency. If they have so been, they can only avoid the inference that they have been party to fraudulent trading if funds are made available to pay existing creditors.

3. There is no suggestion that there was a reasonable prospect of the Company becoming solvent again without Government assistance. There are therefore two questions:-

(1) were the Ministry party to the Company carrying on business;

(2) if Yes, was the Company, at the time when the Ministry were party to the Company's carrying on business, insolvent to the knowledge of the Ministry.
4. Both questions are questions of fact. If the first question came to be decided by a Court there would be room for a finding in the affirmative for the period 8 December on. The case is, however, a borderline one and not really comparable to Beagle where the Ministry provided the Company with cash for the express purpose of enabling it to continue trading without incurring a compulsory liquidation. Here no cash was provided and the Ministry’s involvement in the management of the Company’s business was limited to the exercise of a power of veto over such matters as the acceptance of new orders and entry into new commitments, in anticipation of the provision of Government finance.

5. The second question is whether, during the time the Company was carrying on business while insolvent, the Ministry knew the Company was insolvent. Certainly it did when it received a letter from the Financial Director of the Company dated 31st December, 1969 but doubts about its solvency had been expressed to the Ministry on a number of occasions before this date.

6. In the circumstances I think that if there were an immediate winding up of the Company it would be prudent for the Crown to regard itself as liable for the debts of creditors whose debts were incurred after 8th December, 1969 and for the debts of earlier creditors to the extent that the assets of the Company were reduced by the trading of the Company since that date. In fact however that contingency will become hypothetical if it is decided that the Government should finance the continuance of the Company’s business. In those circumstances the Government would clearly have to ensure that its contribution to the resources of the Company were sufficient to render it solvent, which involves, in effect, meeting all its existing debts.

7. The further question that arises is whether, if the Government makes funds available to pay existing creditors, and to enable the Company to continue trading, it will become responsible for future debts incurred by the Company. I am instructed that in that event the degree of involvement of the Ministry in the carrying on of the Company’s affairs in the future will not diminish and will exceed more protection of its rights as a creditor. It follows from the advice I gave in relation to Beagle Aircraft Limited that the Ministry may thereby become liable to pay the Company’s future debts, if, and from such time as, the Company, to the knowledge of the Ministry, is trading while insolvent.

F. E. J.

Law Officers’ Department, W. C. 2.

11th February, 1970

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CABINET

NURSES' PAY

Note by the Secretary of the Cabinet

Following the discussion at this afternoon's meeting of the Ministerial Committee on Prices and Incomes, I am, by direction of the Prime Minister, circulating the attached memorandum by the Secretary of State for Social Services for consideration in relation to the Cabinet's discussion of the pay of school teachers in England and Wales and of the Report by the National Board for Prices and Incomes on Service Pay at tomorrow's meeting.

(Signed) BURKE TREND

Cabinet Office, S. W. 1.

11th February, 1970
NURSES' PAY

Memorandum by the Secretary of State for Social Services

On 31 December 1969 (PI(69)28th Meeting, Minute 1) the Committee agreed to a 24.5 per cent increase in Nurses' Pay, in a two year settlement with payment of 16.2 per cent (£46.2 million) on 1 April 1970 and a further 8.3 per cent (£23.6 million) on 1 April 1971. The Staff Side had claimed an immediate increase of nearly 30 per cent and there were claims for shorter hours and increased special duty payments in the offing. I had myself thought that there was justification for meeting the claim in full, in view of the present crisis in nursing and the very special factors which justified an exceptional increase under incomes policy (see PI(69)86).

2. The Management Side of the Whitley Council made on 13 January an initial offer of 15.3 per cent and 7.7 per cent. After two further meetings, at the second of which, with the agreement of the Chancellor and the First Secretary, the second stage offer was increased to 9.2 per cent and willingness expressed to submit the second stage to arbitration if the Staff Side desired that when the time came, the offer has been decisively rejected, and it is clear that no settlement is possible within the limits approved by the Committee.

3. The Staff Side are reluctant to bind themselves to a two year agreement because of uncertainty about wage movements and future economic conditions; and they insist that the whole of the increase offered should be given in 1970. A formal breakdown of negotiations has only been averted by suggesting an adjournment of a week to consider how to break the deadlock.

4. I remain of the view, expressed in PI(69)86 that we cannot afford to let negotiations break down. This would be disastrous to the Service and the Government. I think a settlement might be secured on the basis of the amounts already offered if we brought the second stage forward into 1970. Almost certainly if it were brought forward to 1 October, just possibly if it were paid on 1 December. This would mean increasing the cost in the first year by £11.8 million or £7.9 million. It would offend against the twelve months rule.

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and would be repugnant to the majority of the Management Side, but it might be the more attractive solution to the Staff Side because of their public commitment to get the whole increase in 1970.

5. The alternative is a one year settlement at a figure short of the total offered for the two years but well above what has so far been offered for the first year. The minimum increase which could reasonably be expected to secure a settlement on this basis would be 20 per cent, at a cost of £57 million, to run for one year.

6. I hope the Committee will agree that a breakdown must be avoided and I invite them to authorise a one year increase of 20 per cent. If this should not be acceptable to the Staff Side I should like to have authority for an 18-month agreement of the size already offered but with the second stage payable on 1 October 1970.

R H S C

Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London SE1
10 February 1970
CABINET

ANNUAL REVIEW OF THE AGRICULTURAL INDUSTRY, 1970

Note by the Minister without Portfolio

I am attaching a report by officials of the Agricultural Departments, the Treasury and the Board of Trade which makes proposals about the position which the Government should adopt at the forthcoming discussions with the National Farmers' Unions on the Annual Price Review.

2. This report will be considered by the Agricultural Policy Committee on Wednesday, 18th February, and I hope to be in a position to report to Cabinet on the following day the Committee's recommendations.

P.S.

Cabinet Office, S.W.1.

16th February, 1970
1. We submitted in our Report to Ministers on 16th January (AP(70)1) an assessment of progress under the Selective Expansion Programme against a background of factual data on supplies, prices and support costs. We indicated that our second report would deal with the conclusions we might reach after examination of all the economic data and other relevant factors, including the views expressed by the farmers' representatives.

2. We are now submitting our report and recommendations regarding guaranteed prices and other agricultural supports, which are agreed by all Departments represented on the Official Team. They are summarised for the convenience of Ministers in the immediately following paragraphs.

3. The main features of the economic data are the recovery in net output and net income in 1969/70 from their depressed levels in 1968/69; and the increase of about £60 million in costs. Despite the recovery in income, however, there is an inevitable time-lag before the improvement works through to the industry. And in the meantime higher costs have reduced the capacity to expand, particularly where further investment would have been necessary to do so.

4. A more detailed appreciation of the position is given in paragraphs 42-45 of the report.

5. The views expressed by the farmers' representatives are set out fully in paragraphs 34 to 41. Their basic argument is that the industry has been denied sufficient resources either to ensure a satisfactory return on farmers' labour and capital or to sustain the continued expansion they consider economically advantageous to the country. They are, therefore, primarily concerned to secure a large increase in profitability both as a matter of equity (about which they have expressed strong feeling) and as a means of ensuring the cash for investment in expansion.
6. Whilst recognising the element akin to a wage demand in the farmers' claims, we have considered primarily what measures would be most likely in present circumstances to avoid any general recession in the industry and to keep production on course towards the objectives of the Government's Selective Expansion Programme. To this end, our proposals are as follows:

(i) commodity determinations worth some £52 million, which not only lay most emphasis on the priority commodities (paragraphs 47 to 49) but also provide for a desirable approach and impetus to the eradication of brucellosis (paragraph 50);

(ii) further measures, outside the normal run of Review determinations, designed to relieve the immediate cash needs of many farmers and to inject capital for further investment. To this end we propose that the rates of the fertiliser and lime subsidies should be increased by £10 million for one year only; and that the rates of the capital grants should be raised so as to provide an extra £20 million over the next two years. These measures are described more fully in paragraphs 57-58.

7. It would be made clear in the presentation of this package that it was designed to meet this year's special circumstances and implied no reversal of policy in regard to the selective expansion programme based on increasing productivity which should contribute to meeting cost increases.

8. The total public expenditure implications of these proposals are set out in paragraphs 59-60. Briefly, they would entail an additional demand on the contingency reserve of some £11½ million in 1970/71 and of some £17 million in 1971/72.

9. The Official Team has reached agreement on these proposals in the knowledge that they were acceptable to the Chancellor of the Exchequer and the Agricultural Ministers as setting the limits within which negotiations should take place. In inviting general approval for the recommendations listed in paragraph 62, it is not suggested that they will necessarily command the agreement of the farmers' leaders. We have no hesitation, however, in claiming that they would provide the resources necessary to the continued well-being of the industry and to secure further progress towards the objectives of the selective expansion programme.
# ANNUAL REVIEW 1970

## Second Report by Officials

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INTRODUCTION

1. The agricultural departments have now held the statutory Annual Review of the economic condition and prospects of the agricultural industry in consultation with the farmers' representatives. In this report we discuss the conclusions to be drawn from the Review and make provisional recommendations for changes in the guaranteed prices and production grants. Instructions are sought for the further discussions with the farmers which are due to begin on 20th February.

2. The general objective of the support system is set out in Section 1 of the Agriculture Act 1947 as being the maintenance of "a stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as is in the national interest it is desirable to produce in the United Kingdom, and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry." This aim is phrased in very general terms and may be taken as expressing only the main factors which Ministers should consider when determining new levels for the guarantees.

3. It is a statutory requirement that there has to be each year a review of the economic condition and prospects of the agricultural industry in consultation with producers' representatives. Ministers are then required to determine the levels of the guaranteed prices for the major, specified commodities and of certain production grants in the light of their conclusions from this review. Two points may be noted. First, although the review itself relates to the whole of the agricultural industry and aggregate income and net output are calculated on that basis, only about three-quarters of total output is covered by the price guarantees and is therefore directly affected by changes in those prices. The position on non-guaranteed products is thus part of the background to the Review.
although no decisions fall to be taken on them. Second, by long established convention the Annual Review and the guarantee arrangements generally are confined to tenant farming activities and exclude the activities of landowners. A consequence has been that owners' investment and grants to encourage such investment have not normally been examined specifically at the Review. And income attributable to landowning is not included in estimates of aggregate net farming income. Capital grants do however form part of the total cost of agricultural support, as shown in the Annual Review White Paper and in the P.E.S.C. Reports.

4. The present Review has as background the Government's policy of selective expansion for agriculture, which was reaffirmed in 1968. The extended expansion programme then announced indicated in general terms the guidelines for the development of agricultural production over the period to 1972/73, consistent with the statutory objectives of the Agriculture Acts.

5. A further background consideration is that the level of agricultural production at the time would have important implications for the overall cost of entry if we were to go into the E.E.C.

EXAMINATION OF RELEVANT DATA

Net Output

6. The index of net output in agriculture measures the value added at constant prices to the goods and services purchased from outside the agricultural sector. The inputs side of the calculation also includes an allowance for depreciation. The index fell sharply from 106 in 1967/68 to 101 in 1968/69, but is expected to recover to 106 in 1969/70 (average of 1964/65-1966/67 = 100). Lower production of beef following the foot-and-mouth epidemic and a poor cereals harvest were the chief reasons for the fall in 1968/69. Most items of output are forecast to show a recovery in 1969/70 but this will be partly offset by some increase in inputs.

Increased efficiency and labour productivity

7. The annual rate of gain in agricultural efficiency is conventionally taken as about £30 million taking one year with another for products covered by guaranteed prices. This increase may not be achieved in a particular year such as 1968/69 when conditions were especially adverse for many sectors of farming, but taking one year with another and provided that output is expanding it should lead to an increase in income if cost increases are recouped in full by increases in the guarantees. Increases in labour productivity (the volume of net output per man year)
provide important contributions to this gain. In most recent years there has been an increase in labour productivity of 6-7 per cent although there was a small actual decrease in 1968/69, due mainly to the exceptionally heavy fall in net output. Over the period 1963/64 to 1969/70 there has been an average annual rate of increase of 5-6 per cent. The total labour supply (including farmers' labour) has been falling by about 1 per cent annually since 1963-64. However, the number of regular whole-time workers (the largest element) which dropped by 6-7 per cent annually from 1964 to 1966 has been going down by about 5 per cent annually since 1967. The agricultural departments see no reason why the rundown of the agricultural labour force at current rates should jeopardise the selective expansion programme, provided that capital is invested in the industry at a sufficient rate.

Cost changes

8. On the most recent estimate the net effect in a full year of cost changes since the last Review - on the assumption of an unchanged volume for each factor of production - is an increase of £31 million overall of which £62 million is the estimated increase for guaranteed products. In accordance with decisions already taken by Ministers a sum of £1.9 million is to be paid to the Agricultural Training Board in lieu of the payment of training levies by farmers in Great Britain and the same figure is to be deducted from the figure for cost changes to be taken into account. Under similar arrangements a sum of £0.1 million in a full year is to be paid for training in Northern Ireland but only £10,000 will be paid in 1970/71; because of rounding this cannot be shown specifically in the 1970 costs figure and will be carried forward to the 1971 Review when the full deduction for Northern Ireland training will be taken into account. This leaves a net figure of £60 million to be taken into account at this Review. Of the total increase a third is due to higher labour costs and another third to higher prices of feedingstuffs and machinery. There is a small decrease due to cuts in fertiliser prices. These figures for cost changes take account of changes which have occurred since the last Review or are expected to occur in the near future but make no allowance for further changes which may occur before the next Review such as the prospective increase in machinery prices as a result of the recent rise of 10 per cent in steel prices. In addition they do not allow for prospective changes in the volume of inputs used by the industry, for example, the decline in the number of workers or the increase in fertiliser usage; changes of this sort are taken into account in the calculation of the value of increasing efficiency. They are therefore not forecasts of the way in which the industry's overall costs will be affected in practice.
9. There are two main series of net income figures in farming - one for the aggregate income of the industry and one for different types and sizes of farm. Aggregate net farm income is calculated by deducting from gross income along with other operating expenses a charge for interest on identifiable commercial borrowing and depreciation provisions* on plant, machinery and vehicles and adding in the increase in the valuations of crops, livestock and miscellaneous farm stocks. Because the Annual Review is confined to tenant farming activities, a figure for rent is charged which represents partly the rent actually paid by tenants and partly an imputed rent attributable to owner-occupied farms. Thus aggregate net income excludes both the income of landlords and also the corresponding income of owner-occupiers in their capacity as landowners. It is however becoming increasingly difficult to treat the two aspects separately because over half of all farmers in Great Britain are now owner-occupiers as well as all those in Northern Ireland.

10. Aggregate net farm income is not directly comparable either with the wages of other classes in the community or with the trading profits of companies. On the one hand it has to cover the reward to farmers for their labour and that of their wives both as manual workers and as managers and it has also to provide the return on tenant-type assets other than those financed from identifiable commercial borrowing. Not all of this represents spendable income, since part (about a tenth in most recent years) represents an increase in the values or amounts of crops and livestock; though correspondingly there is an increase in farmers' capital. This appreciation in the value of assets results partly from

*These differ from the depreciation charges allowed by the Inland Revenue in that they are calculated on gross replacement costs instead of historic costs but use longer write-off periods. In aggregate the two methods produce very similar results.
general inflation. It does not improve agriculture's resources for expansion except to the extent that it provides greater security for borrowing. It cannot be realised as long as farmers need these assets to stay in business. On the other hand, in comparing the position of farmers with that of wage and salary earners it could be argued that farmers enjoyed benefits not fully reflected in the income statistics; and any comparison of agriculture in general with industry in general must take account of the degree of security afforded to agriculture by present methods of support and by special concessions on taxation and rating as compared with the protection and other indirect and direct support given to industry.

11. Further information about net farm incomes comes from an analysis of sample farm accounts which are used to compare incomes for farms of different types, sizes and regions. All farms are treated as tenanted. The concept of net income that is used is the same as for the aggregate net income series, except that in the farm accounts no deduction is made for interest payments and depreciation is calculated on historic cost, rather than replacement cost. The sample covers only farms which should provide full-time occupation for the farmer: this is particularly important for Northern Ireland and for Wales, where full-time farms are actually outnumbered by part-time and sub-viable farms whose incomes are much lower.

Trends in net income

12. Weather affected net income very severely in 1968/69 and favourably in 1969/70. Actual aggregate net income which fell from £516 ½ million in 1967/68 to £430 ½ million in 1968/69 is expected to rise to £535 ½ million in 1969/70, an increase of 11 ½ per cent. When adjusted for normal weather, however, the increase is only £1 ½ million - a very small increase compared with the upward trend over the last decade of about £15 million a year.

13. In real terms actual aggregate net income in 1969/70 is forecast to rise by 6 per cent compared with 1968/69 but it will probably still remain below the level of the previous four years. Compared with the average of 1964/65-1966/67 it would show a decline of about 4 per cent.
14. As already mentioned, trends in farm incomes cannot be compared precisely
with those of other groups in terms of income per head. The other groups in the
economy most comparable with farmers are "Other sole traders" and "Professional
persons". For both these the trends in aggregate income (whether gross or net)
since 1964-66 have been about the same as the trend in aggregate farm income, but
before 1964 there was a rather slower rise in aggregate farm income. Although the
gross trading profits of manufacturing companies are not directly comparable,
aggregate farm income does represent in part the trading profit of the industry
and it may be noted that the gross trading profits of manufacturing companies have
risen less rapidly and have fallen as a ratio of capital assets.

15. The number of full-time farmers is slowly declining and, adjusted for this,
aggregate gross income indicates an increase in income per farm of about 1.5 per
cent a year in real terms since 1964/67 and aggregate net income after allowing
for depreciation indicates an increase of only about 1 per cent. The sample of
individual farm accounts indicates an annual decline of about 1/2 per cent in real
net incomes in the same period. The annual rate of increase in total personal
income per head for the whole economy has been about 1/2 - 2 per cent. It is not
possible to express the incomes of "Other sole traders" and "Professional persons"
as averages per head, nor can gross manufacturing profits be adjusted in this way.
However real incomes per head of wage-earners in manufacturing industry and those
of salaried employees have been increasing by about 2 per cent a year.

16. The aggregate value of tenant-type assets has gone up steadily in recent years
and in 1969/70 is forecast to have risen by a quarter above the average level of
1962/63 - 1964/65. This increase of 4 per cent a year is due partly to capital
appreciation on existing assets and partly to an increased volume of assets. The
capital appreciation element is estimated to be about 3 per cent a year. Land
prices have also been going up by about 10 per cent a year until recently, though
they fell in 1969. The rise came to a small extent from an increased volume of
investment in buildings and works and mainly from capital appreciation which
itself was due in part to non-agricultural factors. This rise is reflected to a
large extent in the increase in rents charged to farmers as tenants in the
aggregate net income calculation. Forms of personal wealth and assets owned by
other sections of the community have of course also appreciated in value.
17. The rate of return on capital invested in agriculture cannot be estimated precisely in absolute terms. However, for the rate of return on tenant-type assets to remain constant over the years the residual profits element of aggregate net income would have to increase at the same rate as total assets. In fact aggregate net income before deducting the interest charge on commercial borrowing has risen by rather less and this represents either a slightly slower increase in the reward for farmers' labour or a small fall in the rate of return on assets in line with the trend in manufacturing industry.

**Incomes by size and type of farm and by region**

18. The latest information from the sample farm accounts is for 1968/69, which was a poor farming year in England, a better one in Wales and Scotland and a good one in Northern Ireland. The actual average incomes for all types and sizes of full-time farm were £1,849 for England and Wales (excluding farms requiring over 15 men) £1,785 for Scotland and £1,665 for Northern Ireland but these averages conceal wide variations, mainly according to the size of farm. The two extremes are both found on cereals farms in England and Wales, with average incomes of only £707 on 1-2 man farms and average incomes of £8,000 on the 4-15 man farms. On the 1-2 man farms which produce about 20 per cent of total output average incomes are in general in the range £800 - £1,400. On the 2-4 man farms which produce a quarter of total output they are in general in the range £1,300 - £2,500; and on the 4-15 man farms, accounting for about a third of total output they range from £2,500 up to £8,000. After deducting interest on debt and the increase in valuations, the cash incomes which farmers would have to spend on paying tax, living, and expanding and improving their capital stock would of course be considerably less, the difference being in the order of £250 - £500 in the case of the 2-4 man farms.
19. As there is no external yardstick against which to assess the value of
the labour of the farmer and his wife and of his managerial skills, it is not
possible to say what proportion of net income represents the reward for these
functions and what proportion is left to provide the return on the capital
invested in the business. It is consequently difficult to make a comparison
in absolute terms between the rates of return in agriculture and in industry
generally. Such a comparison would in any case be misleading if no account were
taken of relative rates of capital appreciation, and in particular of the more
rapid appreciation in the value of land which may make an owner-occupier readier
to accept a relatively low rate of return on his farming activities. When
considering the implications for expansion in agriculture it is also necessary
to remember that the rate of return which a farmer will look for will vary
greatly depending upon such factors as his indebtedness and whether the farm
is his livelihood or an investment. Nevertheless a relatively low rate of
return coupled with a high rate of interest on borrowed capital will deter a
farmer from investing capital for further expansion.

20. The incomes shown in para. 18 can however be related to the amounts of
tenants' capital invested in the farm: about £3,500 to £5,500 for 1-2 man farms,
about £7,500 to £12,500 for 2-4 man farms and about £15,000 to £35,000 for the
4-15 man farms. Average capital stock varies by type of farm and the amount
of capital employed on cereal farms in particular is higher than these figures.
It appears that the rate of return on this capital in 1968/69 was in general
lower than the average return of 14 per cent in manufacturing industry (based
on Board of Trade analyses for 1968). This is indicated in two ways. First,
the overall average net income in each country for all types and sizes of full-time farm can be reduced by an allowance of 14 per cent on the tenant-type assets, or by 7½ per cent in order to take account of the possible effect on owner-occupiers' expectations of a relatively fast appreciation on the value of their land. The average returns which would be left as the imputed earnings of the farmer and his wife for their labour are:

<table>
<thead>
<tr>
<th></th>
<th>England and Wales</th>
<th>Scotland</th>
<th>Northern Ireland</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Allowing 14%</strong></td>
<td>£481</td>
<td>£326</td>
<td>£1,052</td>
</tr>
<tr>
<td>return of capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Allowing 7½%</strong></td>
<td>£1,123</td>
<td>£1,003</td>
<td>£1,346</td>
</tr>
<tr>
<td>return on capital</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(The figures for Northern Ireland are probably too high as the farm accounts there tend to overstate income and understate tenants' capital). The second way in which this can be seen is by estimating the proportion of full-time businesses in the whole of the U.K. whose returns would fall below certain income levels after making an allowance for return on capital:

<table>
<thead>
<tr>
<th>Proportion of farms with returns of</th>
<th>Over £1,000</th>
<th>Under £800</th>
<th>Under £500</th>
<th>Under £200</th>
</tr>
</thead>
<tbody>
<tr>
<td>After allowing 14% return on capital</td>
<td>31%</td>
<td>63%</td>
<td>52%</td>
<td>40%</td>
</tr>
<tr>
<td>After allowing 7½% return on capital</td>
<td>47%</td>
<td>43%</td>
<td>32%</td>
<td>22%</td>
</tr>
</tbody>
</table>

21. A further approach is to use the figures for aggregate net farm income and total tenant-type assets. If the Farmers' Union's figure of £1,500 per annum
is taken as the average remuneration for the manual and managerial labour of the farmer and his wife, £285 million should then be subtracted from the aggregate net income of £535½ million. The £250 million which is left gives a return of about 10 per cent on the Union's estimate of the occupier's equity - some £2,500 million. Whilst this rate is below that for manufacturing generally as noted above (14 per cent) account must be taken of the capital appreciation on landlord type assets, at least so far as owner-occupiers are concerned.

22. In England and Wales average incomes for all types of farming taken together fell by about 16 per cent between 1967/68 and 1968/69; cropping farms were the worst affected with an average fall of over 30 per cent. Wales did better than any of the English regions, showing a marginal increase overall. In Scotland too average net income was unchanged, although there were considerable variations between types. In Northern Ireland, which had an exceptionally good year incomes rose by 17 per cent overall, indicating a recovery from the low levels to which they had fallen in the mid 1960s, with dairy farms showing the highest increase, although the whole of the increase was represented by higher stock valuations rather than as cash income.

23. In 1969/70 net incomes on all types of farming taken together in England and Wales are expected to recover to about their 1967/68 level. This increase will not restore the position in real terms as in 1968/69 the overall average for all types and sizes of farm was at its lowest level since before 1963. In Scotland average incomes are expected to rise overall by about 10 per cent over the 1968/69 level but in Northern Ireland little change is expected.
24. In the context of the selective expansion programme it is important to note that during the 1960s the trend has been for cropping farms to increase their incomes less than livestock farms, particularly beef producers. Although incomes on cropping farms were originally above average partly due to their larger size, the effect of this trend has been that their incomes are now about average, when some account is taken of their much heavier capitalisation.

Credit

25. Banks have instructions to treat agriculture as a priority borrower and total bank lending to agriculture is expected to increase from £526 million in 1968/69 to £533 million in 1969/70. Banks have, however, been pressing farmers to repay medium and long term loans and bank credit for landlord-type purposes has been reduced in favour of such tenant-type investment as livestock and crops. Of the other sources of credit available farmers have secured more merchants' credit by delaying payment, despite higher charges. Hire purchase debt has also gone up slightly. No information is available on loans from private sources but because of the general credit squeeze it seems likely that these will not have increased. The average interest charge on bank loans is between 9\% per cent and 10\% per cent. Agricultural merchants have also increased their charges and loans from the Agricultural Mortgage Corporation now cost 10\% per cent.

Capital formation

26. Total capital formation in agriculture is now running at about £283 million per annum. This comprises new buildings and works, plant, machinery and vehicles, and stocks (mainly growing crops and cultivations and livestock). The level of capital formation has risen each year since 1966, and increased by £25 million between 1968 and 1969. Because of higher costs the rise in real terms is smaller. In particular, out of the extra £70 million invested in stocks in 1969 about £43 million or some two-thirds represented greater expenditure to maintain the same volume of crops and livestock.
27. Some £186 million was invested in such tenant-type assets as new machinery and livestock. About £81\frac{1}{2} million of this was met from investment incentive grants. About £33 million was financed from the banks, as they switched their credit from long and medium to short-term purchases, and to a small extent from the A.M.C. and hire-purchase finance houses. The remainder was met from the depreciation provisions of £122 million allowed in the calculation of net income and from net income itself after deduction of tax and living expenses. Farmers' investment to expand their businesses can be regarded as the residual element of net income, so that proportionately the amount available from net income for extra investment will fluctuate much more than any fluctuations in net income as a whole. In addition the depreciation provision, although so large, does not vary as much in absolute terms as bank advances and net income, which are particularly important at the margin.

28. Total spending on plant, machinery and vehicles fell by 6\frac{3}{4} per cent in 1969 compared with 1968 and the quarter-by-quarter figures do not indicate any recovery. This decline is about 10 per cent in real terms.

29. Some £97 million was invested in buildings and works in 1969. This is a landlord-type responsibility and as such is not among the matters normally examined at the Review. But some account must be taken of this element, as the profitability of farming will affect trends in this investment which in turn affect the ability of farmers to expand their production. Of the £97 million, about £34 million was met out of capital grants such as the Farm Improvement Scheme and about £7 million from Agricultural Mortgage Corporation type loans. Little credit is currently available from the banks for buildings and works. The largest source of finance is landlords' net rents (half of which represents imputed rents for owner-occupied farms). After deducting £65 million for maintenance costs, rates and statutory charges and £28 million for identifiable interest from the gross rents of £145 million, net rents amounted to about £50 million, before allowing for taxes on income, living expenses, and any depreciation provisions.
30. Expenditure on new buildings and works rose by some 13 per cent in 1969 but this represents mainly the completion of projects planned some time before. The number of applications received under the Farm Improvement Scheme (which gives some indication of investment intentions) fell by some 8 per cent; this suggests a fall in actual construction in 1970.

31. In 1967/68 aggregate net income was exceptionally high and this may well account in part for the substantial increase in machinery investment in 1968 and for the increase in buildings investment in 1969. But the trends in investment now suggest that there may be a shortage of funds for this purpose. Already there has been a fall in investment in plant and machinery. There are also signs of a turn-down in investment in buildings and works, though here the effects would be delayed because most building investment is planned up to a year or so ahead. Farmers' resources have been affected by the relatively slow growth in their average real income in recent years and on arable farms which are particularly heavily capitalised real incomes are substantially below the level of the mid-sixties. The effect of the sharp drop in incomes in 1966/69 now seems to be showing itself in investment. In addition although there has been an adequate supply of bank credit for working capital, little credit is currently available for longer-term investment. Farmers may also have been deterred by the higher cost of credit.

COMMODITY PROSPECTS

32. The development of production in relation to the objectives under the selective expansion programme was set out in the first report to Ministers. The provisional results of the December census for England, Wales and Scotland which have since become available broadly confirm previous forecasts but show a faster increase in the beef herd than expected, offset by a check in the expansion of the dairy herd; show a sharper fall in the sheep breeding flock; and suggest some further expansion of the pig breeding herd. A note on the main changes is attached at Appendix A.
33. An assessment of the technical possibilities of reaching the objectives of the programme was set out in para. 9 of the first report to Ministers. The modifications due to the census results give further ground for believing that the objectives for pigmeat remain attainable, suggest that more attention needs to be paid to restoring progress in the cattle sector if expansion of beef is to match the objective in full, and underline the need for an early check in the decline of the breeding flock if the objective for sheep is to be achieved by 1972/73.
34. The Farmers' Unions have come to the Review against a background of wide-spread agitation among the farming community. Moreover they have taken the unusual step of announcing in advance their objectives at the Review. Their "four-point plan" seeks an increase in net farm income to £650 million in 1970/71; full recoupment of costs at the 1970 Review and an assurance of full recoupment at the 1971 and 1972 Reviews; and increased regulation of imports (the fourth point was that the Unions should seek support for their claim from other sections of the community). It is not entirely clear how far their leaders themselves feel that they are committed to the details of their plan or how far they may have room for manoeuvre in the light of their published objectives. It seems reasonable however to suppose that there will be a considerable gap between what they are likely to hold out for and what officials feel able to recommend.

35. They have presented their case on two broad grounds. The first has the elements of a pay claim. This stresses income and for that reason is the approach which gets the strongest support from farmers generally. Noting the increases in prices authorised by the Government for other industries and the higher pay claimed by other sections of the community they have demanded fair treatment for themselves. They have complained about the effects of inflation, which they say has worsened their position in real terms and is likely to continue to do so - hence their aim to get an assurance of full cost recoupment for the next three years. In addition after comparing the trends in farm incomes and their return on capital with other sectors they have claimed that they were doing less well than the rest of the community and were in many cases receiving completely inadequate returns. They have accordingly suggested that it would be reasonable to assume an average income of £1,500 per annum for the manual and managerial labour of the farmer and his wife on each of the 200,000* full-time farm businesses in the U.K. and also to allow a 15 per cent return on an estimated £2,250 - £2,500 million worth of occupiers' assets: thus they arrive

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* The latest estimate of the number of full-time businesses is in fact 190,000.
at their target of a minimum of £650 million for the aggregate net income of the whole industry (excluding part-time farms).

36. Their second approach - the one favoured by their leaders - has been to emphasize the need to meet the objectives of the selective expansion programme. They have agreed that expansion has been uneven but have suggested that progress overall has been disappointing since, though it is still too early to pass judgment there has in the first two years of the extended programme (1967/68 to 1969/70) been no net increase in output. They have said that they believe that, given the resources and reasonable market stability, attainment of the programme is well within the capacity of the industry. Whilst recognising the effects of weather and the foot-and-mouth epidemic they have attributed the slow progress to date primarily to the industry's lack of resources to meet both cost inflation and an increase in the volume of investment.

37. Much of their argument has centred around the trends in investment. They have claimed that in the first two years of the extended programme, and after a prolonged period of cost-price squeeze, the volume of investment although higher in monetary terms has fallen short of the needs postulated by the objectives. They have suggested that much of the recent increase in gross capital formation has simply reflected a rise in the price of the capital assets concerned. They have asserted that many large and efficient farmers are in trouble because of their heavy capitalisation and the burden of high interest charges, while it is these farmers who must be expected to contribute most to expansion. The Unions consider that the industry is capable of further rises in productivity but only on condition that additional resources are ploughed in for investment purposes and that without a major injection of resources through the price schedule investment will continue to be restricted and expansion will suffer.
38. Investment is one of three subjects which have been given particular prominence this year. The Farmers' Unions have provided details of a special survey of farmers' investment plans which showed that in 1969 many farmers had spent less than intended on investment and for 1970 nearly as many farmers were planning to spend less as to spend more. They have also said that there are signs of deterioration in the land stemming from farmers' inability for economic reasons to undertake certain husbandry operations and maintenance work and that these "hidden costs" are an accumulating liability not reflected in the statistics that are collected. Finally, they have suggested that the increase in land values over the last decade has been due not to the profitability of farming but to competing demands from non-agricultural users and to a lesser extent to the willingness of farmers to bid up prices in order to add adjacent land to their farms.

39. The Unions have argued for a more effective regulation of imports and for a greater degree of market management both in the interests of stability and in order that producers can progressively earn a higher proportion of an increasing total return from the market. In particular they have urged that the new stabilisation scheme for beef and the new minimum import price scheme for eggs must be effective and that more regulation of imports of milk products should be introduced.

40. The Unions have stressed their belief in the importance of expansion on two grounds. First, they have maintained that in the context of entry into the E.E.C. the nation needs more rather than less production in order to reduce the undoubted balance of payments burden which would arise from our adoption of the common agricultural policy. Second, they have suggested that a policy of agricultural expansion could help to consolidate the recent improvement in the balance of payments and, by permitting some relaxation of fiscal and monetary measures in the economy generally, permit a rather greater rate of economic growth than we have been accustomed to in recent years. They have suggested that additional resources put into agriculture are likely to be spent on additional investment provided that farmers are assured that in the long run they will not be let down and that room will be found in their own market for the additional output.
41. The Farmers' Unions have not, at this stage, disclosed precisely what award they are seeking but they have indicated that they consider that commodity price increases across the board are required with incentive payments above recoupment of costs for various commodities. In addition they have indicated that in their view the rate of some production grants (notably fertilisers and lime) should be raised. The two approaches adopted by the Unions cannot be wholly separated. They have emphasized that in the end both their claims - for higher pay and for capital for investment - come together as a need for increased income to get cash into the industry. They have accordingly laid down three requirements which they consider must be satisfied - their need for cash now, for confidence in the future and for greater protection against imports.
42. Any broad generalisations must be qualified because the position on particular farms can vary widely according to their size, type and location. Moreover the farmer who is concerned primarily with the livelihood from his farm as a business is in a different position from the businessman who for a variety of reasons may invest part of his wealth in farm land. Subject to these reservations, our general appreciation of what has been happening in British agriculture for the past two years is as follows.

43. In 1968/69, which came after a good year for farming, there was a sharp drop in net output and net farm income, particularly on cereal farms in England, though income continued to rise in Northern Ireland and to a lesser extent in Scotland and Wales. At last year's Annual Review, Ministers took account of the indications then available of this situation. At the same time, in the expectation that more normal conditions would apply in 1969/70 so that output would resume its previous upward trend and the normally expected productivity gain reassert itself, they considered that farm income would be restored to an appropriate level by changes in the guarantees that in total amounted to less than the additional costs falling on the industry.

44. In the event, after a poor spring in some parts of the country, these expectations have been broadly realised in 1969/70. Net output is back to the 1967/68 level overall, and net income as calculated by the Agricultural Departments is higher, in money terms, than in 1967/68. There are nevertheless a number of reasons why, even with this improvement farmers regard the position as unsatisfactory, particularly in view of the fact that expansion is expected of them under the Government's programme. First, there has probably been a time lag in the impact of last year's fall in incomes, while this year's improvement has still to be fully appreciated. Second, in real as opposed to money terms and disregarding the drop in income a year ago, farmers, in common with the general run of businesses, have failed to improve their income position over the past couple of years. One factor in the sluggishness of net farm
income, in a period when costs have been rising, is that each Annual Review takes into account only to a limited extent the possible further cost increases in the coming year. In the nature of things this factor tends to loom increasingly large in farmers' minds as the next Review approaches - though it is, of course, a factor subsumed in the trend in incomes to which we have already referred. Similarly the high cost of credit has been allowed for before striking the net income figures, though the individual farmer will not be reconciled to it on that account and may be less ready to invest knowing that he has to face higher interest payments.

So far as we can establish, these factors provide the background to the present agitation in the industry - the delayed reaction to the bad year in 1968/69, and the fact that the recovery in 1969/70 has still to be felt in full and will even then do little more than restore the level of farm incomes in money terms without making good last year's inroads into farmers' resources. To many farmers, the whole issue presents itself in simple form - the need to get more pay, at a time when other sections of the community are pressing similar demands. The more thoughtful among them, however, base their case rather on the requirements of the selective expansion programme propounded by the Government itself. It is primarily from this point of view that it seems right to us, as officials, to form a judgment of what the situation requires in order to sustain output and to provide for further expansion - provided, of course, that the amounts required in terms of resources and support are reasonable in relation to the import saving secured. Therefore one of the considerations which has played a large part in our approach is that the measures adopted at this juncture should be designed, so far as is possible, to encourage - whether directly by their incentive effect or indirectly by their effect on the farmers' cash position - continued investment such as is necessary both for expansion and for continued adoption of improved equipment and technology and to offset the decline in the labour force.
46. The action, which in our view would be appropriate in the light of this analysis of the economic condition and prospects of the industry, falls under two heads - the commodity determinations and other measures.

Commodity determinations

47. The underlying policy on the basis of which Ministers decided upon the present selective expansion programme was that this should be conditional on a continued rise in productivity, the benefits of which should accrue in part to the farmer and in part to the nation, through helping to keep support costs down. Whatever special consideration may have to be taken into account this year, there is no Departmental proposal to reverse this underlying policy decision.

48. We have therefore considered in the first instance what commodity determinations would be appropriate in pursuance of this policy. Against the higher costs of £60 million falling on guaranteed commodities but taking account also of the gain from greater efficiency that may be expected if output increases, we propose commodity determinations which, net, would increase the value of the guarantees by £52 million. Given the gain from greater efficiency that may be expected if output increases, this should enable the industry to secure an improvement of net income. Moreover, a substantial part of the cost increases relate to egg production but, because the egg subsidy is being phased out, the egg producers will not get their share of cost reimbursement under this award; thus other producers will get correspondingly more. The proposed commodity determinations therefore represent a relatively favourable application of the basic policy.

49. We suggest that, as last year, the determinations should continue to put the main emphasis on the commodities of special priority in the Government's selective expansion programme, namely beef, pigmeat and cereals. In accordance with announced policy, the guarantee on eggs should be reduced to the maximum extent permissible under agricultural legislation. Although sheep production is not a priority under the programme, the decline in sheep numbers, to which we drew
attention in our first report, has gone farther than expected. We have accordingly suggested a price increase of a little more than the increased costs falling on this sector of farming. It is not Government policy to increase milk production for its own sake; but the dairy herd, expansion of which we reported in our first report as coming to an end, has now actually started to decline. We therefore propose an increase in the price of milk about the same as the cost increase. The higher price takes account of the increased supply of calves originating in the dairy herd that are being kept for beef (see para. 2 of Annex B) and the increase in the guarantee also reflects the rise in liquid milk consumption.

In addition we propose a new incentive to encourage farmers to go ahead with brucellosis eradication. This would take the form of a bonus payment on milk from brucellosis-free dairy herds with an equivalent payment on brucellosis-free beef herds. Although the bonus payment will increase the return which owners of brucellosis-free herds will get for their milk the effect of the new arrangement will not be to encourage an increase in milk production as such but rather an increase in the proportion of the milk supply that comes from clean herds. The bonus will be treated separately from the basic milk price but will of course be counted as part of the Review award and is included in the total of £52 million mentioned in para 48. The proposals will help to deal with the growing public concern over brucellosis on the grounds both of animal health and of public health. The cost of the measures taken will grow in future years but there would also be an increase if we were to continue with the existing arrangements. Details of the proposed arrangements are given in Annex C.

Other things being equal the effect of the proposed changes on milk taken together would be to increase the price of milk to the consumer by 1d. per pint for about three months of the year. However, as a result of decimalisation it will probably be necessary for the retail milk price to go up in any case from 11d. to 1s. Od. from 1st January 1971. This would have left a considerable surplus in the milk fund, by means of which consumer payments are evened out so that over the years there is no overpayment or underpayment of the guarantee. This surplus
would accommodate much of the increase in the producer price proposed above and
the whole of the increase can be met while leaving the milk fund broadly in balance
by increasing the retail price to 1s. Od. from 1st December 1970, so that in
1970/71 it would stand at 1½d. for eight months and 1s. Od. for four months.

52. We believe that the biggest impact will be secured by concentrating funds on
commodity end-prices. We are therefore not suggesting any changes in the livestock
production grants except for the bonus payments just mentioned for brucellosis-
free beef herds which would be paid via the existing hill cow and beef cow subsidies.
We propose however that the grant to small farm businesses should be discontinued on
expiration of the Small Farm (Business Management) Scheme in August. This scheme has
now largely fulfilled its purpose, and the number of applications for grant under it
has fallen to a level that no longer justifies keeping it in being.

53. Details of these recommended commodity determinations are given in Annex B.

54. Although the value of these commodity determinations for the purpose of the
Review award would be £52 million, they would represent an additional Exchequer
commitment in a full year of some £32 million. This is because the cost of support
for milk and sugar does not fall on the Exchequer, and because other savings arise
where price increases nominally falling on the Exchequer are offset to some extent
in other ways. The full year effect will not be felt in 1970/71 mainly because the
increases in the cereals guarantees do not come into effect until July and payment
to farmers on the basis of those higher prices will not be completed until the
following financial year. The effect in 1970/71 is estimated at just under
£25 million.

Further measures

55. We have also considered whether these proposed commodity determinations should
be supplemented by further special measures designed to deal with the problems
identified in our examination of the relevant data and summarised in paragraph 42 to
45 above. It is important that nothing should be done which could be represented
either as conceding the claim which the farmers have now put in that they should be
allowed to retain the full gain from their increased productivity in the next few
years; or as implying that the Government have framed their determinations with a view
to meeting a pay claim rather than in relation to the needs of continued selective
expansion.
56. We have concluded that in present circumstances there is a good case for the further specific measures set out below on the basis - for which the Treasury and the Agricultural Departments have obtained prior approval from their Ministers - that these are to be treated, in conjunction with the commodity award set out above, as a firm package which sets the limits within which subsequent negotiations should take place.

57. The supplementary proposals are two-fold.

(a) a one-year increase in the rate of subsidy on fertiliser and lime, so as to inject an additional £10 million of which rather less than £8 million would be spent in 1970-71.

(b) a two-year increase in the rates of capital grants for agriculture, designed to inject about £10 million extra in each of two years. The amount spent in 1970-71 would depend on the particular method adopted for introducing the higher rates of grant. The two possible variants are described in greater detail in Annex D. The first, which would to some extent involve payment on work already approved, would enable cash to flow sooner and for that reason would be more costly to the Exchequer in the first year. The second variant, under which payments would be made only on new projects, would cost less in the first year but some payments would carry over into a third year, and the cost over the whole period would be rather greater. Officials consider that the second alternative - subject to confirmation by Ministers - is to be preferred because the money would be spent only on new investment projects and so would be used to best effect.

58. The cost of both these measures falls wholly on the Exchequer. The increase in the fertiliser and lime subsidies would be presented as an addition to the Review determinations, in effect bringing the total to £62 million. The increase
in capital grants falls outside the normal run of Review determinations. But it would represent a further addition to agricultural support as a whole. It would be presented to Parliament, the farmers and the public as increasing the value of the whole package by a further £20 million over the period. In presenting the package it would be made clear that this year the Government is allowing the farmers to retain the whole of the efficiency gain with a little on top as a special injection of money for expansion; but the selective expansion programme, taking one year with another, would continue to be based on increasing productivity which should contribute to meeting cost increases and so to keeping down the cost of support in real terms.

Public Expenditure

59. The total addition to public expenditure resulting from the whole package would be as follows:—

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Commodity determinations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchequer element</td>
<td>24.8</td>
<td>32.1</td>
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</tr>
<tr>
<td>One-year increase in rate of fertiliser subsidy</td>
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<td>2.2</td>
<td>-</td>
</tr>
<tr>
<td>Increase in rates of capital grants</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Method (a)</td>
<td>10.25</td>
<td>9.0</td>
<td>-</td>
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<tr>
<td>Supplement for intensives</td>
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<tr>
<td>Method (b)</td>
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</tr>
<tr>
<td>Supplement for intensives</td>
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<td>0.1</td>
<td>-</td>
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<tr>
<td>Brucellosis (additional expenditure over 1969 Public Expenditure Provision)</td>
<td>0.5</td>
<td>1.35</td>
<td>1.6</td>
</tr>
</tbody>
</table>

60. As explained in paragraphs 14-16 of our first report to which reference should be made for a detailed explanation of the treatment of agricultural support in the public expenditure figures, the present Estimates of the cost
of agricultural support in 1970-71 before taking account of the present proposals fall short of the projections for 1970-71 and 1971-72 in the Public Expenditure White Paper by £28 million. Thus these proposals would take up the shortfall and in addition entail a demand of some £11\frac{1}{2} million on the contingency reserve in 1970/71 and some £17 million in 1971/72 subject to a decision confirming the recommended method of paying the capital grant.

CONCLUSION

61. It would be unrealistic to suppose that agreement with the farmers, however desirable it might be, is possible if their leaders continue to demand price increases of the size mentioned in earlier statements by their organisations. Indeed, it would be difficult to justify continuing with an agricultural expansion programme if the cost of getting it approached some of the figures that have recently been bandied about. The proposals we have made give the farmers a fair prospect of improving their incomes by increasing their output, and provide positive help towards this by improving their liquidity and directly aiding their investment. We believe that our proposals are consistent with the basis on which the Government decided to go ahead with the programme of selective expansion, that they recognise and provide a reasonable solution to the difficulties with which farmers are at the present faced, and that they should enable the industry to keep on an expansion course towards the import saving objectives which the Government originally had in mind and which would additionally strengthen our position in the event of accession to the E.E.C. The approach we have recommended has the further advantage that it can be presented as flowing from a realistic analysis of the current position of the industry instead of appearing as a rather pallid attempt to match, on their terms, the bid that the farmers have put in.

62. Ministers are accordingly invited to agree:

(a) To commodity determinations as recommended, increasing the value of the guarantees by £52 million.
(b) to a temporary increase in the fertiliser and lime subsidies by £10 million for one year; and

(c) to increases in the rates of capital grants for two years amounting to some £20 million over the period;

to confirm whether, of the two methods suggested in Annex D for handling the capital grants, they prefer the one recommended by officials;

and to authorise the Agricultural Ministers to conduct subsequent discussions with the farmers, which are due to begin next week, on that basis.
Assessment of the provisional results of the December census

1. The first report to Ministers indicated for the dairy herd a declining rate of expansion in the year to June 1970 and no increase from then to June 1971; for the beef herd, on the other hand, increases of some 50,000 in each of the two years were forecast. Preliminary examination of the December census results for England, Wales and Scotland, however, suggests that whereas the check to the expansion of the dairy herd has occurred rather sooner than anticipated, the beef herd now seems likely to expand slightly faster than previously predicted. The effect of the revised projections on home-produced beef supplies both in 1969/70 and 1970/71 is likely to be marginal, but milk sales may now be only some 40 million gallons greater in 1969/70 than in 1968/69 (compared with the previous forecast increase of 50 million gallons), and there may be no further rise in 1970/71 (although previously an increase of 40 million gallons over 1969/70 was expected).

2. The sheep breeding flock at December has declined by rather more than expected and the 1970 lamb crop will reflect this unless the season is exceptionally favourable. Home-produced mutton and lamb supplies in 1969/70 will be affected only marginally, but in 1970/71 they are likely to be no more than in 1969/70.

3. The pig breeding herd at December 1969 is some 8,000 head greater than expected and if the welcome upturn in the number of gilts in pig is maintained then at June 1970 the herd could be some 20,000 - 25,000 head greater than at June 1969. The increase previously forecast in home produced pigmeat supplies in 1969/70 (over 50,000 tons above the 1968/69 level) will not be affected significantly, but in 1970/71 production of pigmeat should now show an increase of over 20,000 tons above the level of 1969/70 instead of the no change position previously seen.
1. Beef is one of the priority commodities under the selective expansion programme. Attainment of the objectives depends upon (a) expansion in the beef herd, which is going ahead well; (b) expansion in the dairy herd, which has recently been checked; and (c) the level of calf retentions, which is at present encouraging. Because of its relatively long production cycle it is particularly important to keep expansion moving ahead early in the programme. A faster increase in the total breeding herd is needed and the relative profitability of beef as against milk must be broadly maintained. It is therefore recommended that the guaranteed price should be increased by 10s. Od. to 225s. Od., which would rather more than offset the estimated increase of 8s. 9d. in factor costs.

2. Accepted policy is not to encourage increased milk production for its own sake but the dairy herd makes a major contribution to beef output. It is essential to arrest the present downward trend in the dairy herd and to get a resumption of an upward trend to keep on course to the beef objective. In making the price determination on milk, regard has to be taken of the "dilution assurance" under which the effect on the average producer price of an increase in milk production resulting from the increased contribution to beef output from the dairy herd is to be taken into account. The amount to be taken into account under the assurance this year is equivalent to 0.46d. per gallon on the guaranteed price. The standard quantities also fall to be increased by 24.0 million gallons on account of the increase in liquid sales. We recommend that the guaranteed price should be increased by 1.23d. to 46.49d. per gallon. This figure includes the effects of the "dilution assurance". The automatic adjustment of the standard quantities is worth a further 0.27d. so that overall the award is rather higher than the increase of 1.17d. in factor costs. This award does not include the bonus for milk from brucellosis-free dairy herds which is recommended in Annex C.
Sheep and wool

3. Although sheep production is not a priority under the programme, the objective is to restore production of mutton and lamb in 1972/73 to its 1967/68 level. The breeding flock has been declining more rapidly than expected. The increase in production costs is put at 2.3d. per lb. for fat sheep and 2.8d. per lb. for wool (together equivalent to nearly 3d. per lb. for fat sheep). No increase in the guaranteed price of wool is recommended, in view of the relatively high rate of unit subsidy, but in order to avert the run-down in sheep production and give confidence to its future an increase of 3d. to 3s. 10d. per lb. is recommended in the guaranteed price for fat sheep.

Pigs

4. Pigmeat is one of the priority commodities. The aim is to continue the present steady expansion of the breeding herd. The factor cost increase is evaluated at 10.3d. per score. In order that producers may see that their effective return will not be reduced in future as production rises in line with the objectives, it is recommended that the "middle band" (which represents broadly the level of production which the Government would like to see) should be raised now by 300,000 pigs to a new level of 13.2 - 14.6 million pigs. It is also recommended that the basic guaranteed price should be increased by 10d. per score to 49s. 3d. per score.

Eggs

5. The objective is to remain broadly self-sufficient and this is being achieved. Ministers have already decided that the egg subsidy should be put on a flat rate basis from 1970/71 and to do this it will be necessary to end the profit and loss sharing arrangements at this Review. As a consequence of the prospective introduction of a minimum import price scheme it is recommended that the arrangements should be ended whereby guarantee payments are increased when imports rise above a certain level.
Finally it is recommended that, in order to continue the phasing out of the subsidy, as planned, the maximum cuts should be made in the guaranteed prices. This would reduce that for hen eggs by 1.43d. to 3s. 4.64d. per dozen and that for duck eggs by 2.31d. to 2s. 2.76d. per dozen. The increased costs falling on egg producers are assessed at some £9 million in aggregate and no part of this will be made good to them.

**Cereals**

6. Wheat and barley are priority commodities and the objective is expansion to the full extent technically feasible. Output and incomes of cereals growers were seriously reduced by the bad weather of a year ago and total production in 1970 is expected to be at much the same level as in 1967. It is important to get progress in the cereal sector moving forward again. Cost increases are put at 10d. per cwt. for wheat and 9d. for barley. It is recommended that the guaranteed price for wheat should be increased by 1s. 6d. to 30s. 6d. per cwt. (thereby increasing the price differential in favour of wheat which offers the biggest scope for import saving) and that of barley by 1s. 0d. to 27s. Od. per cwt. Oats are now relatively expensive in subsidy terms. The increase in production costs is put at 11d. per cwt. but it is recommended that there should be no change in the guaranteed price which would then remain at 27s. 10d. per cwt.

7. The acreage grant on field beans comes to an end in 1970/71. It is not proposed to extend this grant or to introduce other break crop grants at this time.

**Potatoes**

8. The policy is to maintain self-sufficiency in maincrop potatoes except in years of unusually low yields. The increase in costs is put at 13s. 9d. per ton. It is necessary to set the guaranteed price at a level to give farmers a sufficient assurance of profitability to secure the acreage necessary to maintain self-sufficiency. It is recommended that the guaranteed price should be increased by 7s. 6d. to 310s. Od. per ton.
Sugar beet

9. The objective is simply to maintain the existing acreage. As there is no room in the U.K. market for any increase in committed supplies of sugar (i.e. home production plus Commonwealth quotas) it is recommended that the acreage for 1971/72 should remain at 443,000 acres. Costs are estimated to have risen by 6s. 4d. a ton and it is recommended that the guaranteed price should be increased by 2s. 6d. to 139s. 0d. a ton.

Production Grants

10. Small Farm (Business Management) Scheme. This Scheme is due to expire on 31st August 1970. The number of applications under the Scheme continues to fall and is now at a very low level. It is recommended that the Scheme should not be renewed after August this year.
Background

1. Brucellosis causes abortion in cattle and undulant fever in humans. It has largely been eradicated in Northern Ireland. In Great Britain measures towards eradication started in 1967 with a voluntary scheme to register disease-free herds. Compensation at full market value up to a maximum of £150 is paid for animals slaughtered because they react to testing while a herd is becoming disease-free. Although this voluntary scheme has made encouraging progress, there have been setbacks through the reinfection of herds which necessarily involve further compensation before the herds regain their disease-free status. Thus unless a new policy is devised expenditure will in any event increase.

2. There has been a widespread call for more vigorous Government action; and in particular for early compulsory eradication measures – which would increase the cost still further if compensation were continued. Such a step would be premature at this stage. A sizeable reservoir of brucella-free replacements must first be built up; moreover a fair proportion of healthy animals are still reacting to tests because of previous adult vaccination (now discontinued). However, a pilot scheme of "limited eradication projects" in specially selected areas has been foreshadowed for 1971.

Proposals

3. The Annual Review proposals aim to –

(a) attract still more of the healthier herds into the present voluntary scheme; and

(b) replace the traditional policy of "compensation" for infected animals by an "incentive" based on healthy animals, i.e. payment would be by results rather than by reactors.

4. Under these proposals, compensation for slaughtered reactors would cease and, starting from this year "incentive" premiums would be paid on milk from accredited dairy herds (1½d. a gallon) and on the present Hill and Beef Cow subsidies for accredited beef herds (37s. 6d. a cow). This should stimulate interest among owners of herds having few reactors, and would not disturb the production balance.
between beef and milk. More heavily infected herds would need to await the
compulsory eradication programmes which are being considered separately.

5. The proposals would cost about £3.3 million in 1970/71 rising to £11.2
million in 1974/75. Of the total for 1970/71 only some £0.5 million (comprising
the beef supplements) would be an Exchequer cost. The remainder would be
embodied in the consumer price of milk and would by itself require an increase
of 1d. per pint in the retail price for about half a month (see para. 51 of
the report). By 1974/75 the Exchequer cost would rise to £1.2 million leaving
consumers to bear the remaining £10.0 million. In addition there would be the
cost of administering the new scheme and providing some assistance on
replacements for reactors slaughtered compulsorily, as part of eradication
projects. These other costs, which are not part of the guarantee system of
support, would rise from £0.9 million in 1970/71 to £2.5 million in 1974/75.

6. The proposals should minimise the long-term Exchequer cost of eradicating
brucellosis from the national herd with its consequent benefits to those
sections of the community which are most at risk.
INCREASING THE RATES OF CAPITAL GRANTS

1. This Annex deals with the arrangements for implementing the recommendation that the rates of the capital grants to agriculture should be increased by ten percentage points for a period of two years.

Farm Capital Grant Scheme

2. The existing capital grants to agriculture are to be replaced on 1 October 1970 by a unified Farm Capital Grant Scheme (FCGS) made under the powers in the current Agriculture Bill. The Bill will enable the rates of grant under the new Scheme to be prescribed by statutory instrument subject to affirmative resolution procedure. It was originally envisaged that the FCGS would have a 30 per cent basic rate of grant, with a 50 per cent rate for drainage, improvements to hill land, and remodelling works for farm amalgamations, and with a 10 per cent supplement for drainage in the hills. There would be no difficulty in raising the two main rates so that the statutory instrument would lay down that until the end of the two-year period these rates should be 40 per cent and 60 per cent instead of the 30 per cent and 50 per cent originally envisaged.

"Bridging" operation

3. It is however important to raise the rates of capital grants in the period before the FCGS comes into operation. This would not only secure a more rapid injection of capital into the industry, but also avoid the risk that the announcement of the intention to increase the rates would lead farmers to postpone investment until 1 October. It is therefore proposed to have a "bridging" arrangement to increase the rates of the main capital grants by ten percentage points in the period 1 April to 30 September. This would apply to the grants for farm and hill land improvements, field drainage, farm water supply (mains) and remodelling works for farm amalgamations. No increase is proposed in the rates of grants (e.g. scrub clearance and ploughing) which are already at or above the levels to be paid under the FCGS or in the grant for tractors and harvesters which will terminate when the FCGS comes into operation.
4. For the agricultural investment grant on fixed equipment, however, which is currently paid at the rate of 10 per cent, a "bridging" increase of 20 percentage points is recommended. Most of this grant is taken up by intensive livestock producers who cannot comply with the benefit-to-land requirement of the Farm Improvement Scheme because their livestock depend mainly on brought-in feedingstuffs (as opposed to feed grown on the farm). Under the FOGS these producers would be able to obtain grant at the recommended rate of 40 per cent. A "bridging" increase of 20 points would raise the rate of grant for these producers from the present 10 per cent to 30 per cent. This would avoid too large a gap between the rate payable in the period April to September and the subsequent 40 per cent rate payable under the FOGS for the remainder of the two-year period.

Alternative criteria for increased rate

5. For the agricultural investment grant, which is not subject to prior approval, the increased rate would apply to expenditure incurred (i.e. payments made) on or after the qualifying date of 1st April. For the grants which are subject to prior approval however (farm and hill land improvement, field drainage, water supply, remodelling works) there are two possible criteria for determining whether an investment attracts the increased rate.

* The distribution of the agricultural investment grant by types of enterprises is as follows: poultry 58%, pigs 11%, dairying 9%, cropping 8%, livestock rearing 6%, others 8%.
(a) **DATE OF RECEIPT OF GRANT CLAIM**

Under this alternative the increase would be paid on all claims received on or after the qualifying date. This would inject money quickly, since it would mean paying on work already put in hand and in some cases already completed, and virtually the whole cost of the increase (£20.7 million) is estimated to fall in 1970/71 and 1971/72, as shown below.

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<td>1970/71</td>
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<td>General increase of 10 points</td>
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<td>Further &quot;bridging&quot; increase of agricultural investment grant on fixed equipment to 30%</td>
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(b) **DATE OF DEPARTMENTAL AUTHORITIES TO START WORK**

With this criterion the increase would be paid in cases where the Departmental authorities to start work were given on or after the qualifying date. On average there is about 12 to 15 months between the issue of authority to start work and the date when the applicant completes his project and claims grant. Under this criterion the money would therefore be injected more gradually and it is estimated that the cost, which would be slightly higher (£21.65 million), would be phased over the three years 1970/71, 1971/72 and 1972/73, as follows:

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<td>General increase of 10 points</td>
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<td>Further &quot;bridging&quot; increase of agricultural investment grant on fixed equipment to 30%</td>
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As mentioned in para. 57 of the main paper officials recommend that alternative (b) is to be preferred since it is addressed to new investment rather than to work already in hand or completed and it will therefore be a more effective incentive.
17th February, 1970

CABINET

FUTURE LEGISLATION

Memorandum by the Lord President of the Council

I was asked at last week's Cabinet to circulate a paper on the organisation of the legislative programme for next Session and the information which Departments should be asked to supply at this stage (CC(70) 7th Conclusions, Minute 2).

2. Forward planning of the legislative programme is of course complicated at the present time by the fact that we do not know how long this Parliament is going to last. We have to make sure that we shall have enough Bills to keep it occupied throughout its life. We also need to be ready with a programme of legislation for the first Session of the new Parliament whenever that may be.

3. We have already agreed a supplementary list of Bills to be prepared against the possibility that the current Session may be prolonged beyond its normal course. To the extent that this list is not disposed of in the present Parliament it will be there to draw on in the next; this will also apply to the list of Second Reading Committee Bills, some of which are unlikely to be enacted in the present Parliament unless it runs its full course. Depending on the timing of the election there may also be some Bills from the present main programme which, having failed to get through all their stages this Session, will be available for reintroduction at the beginning of the next Parliament.

4. In addition to these potential carry-overs from the present Session, there are no doubt a number of possible new Bills which Departmental Ministers are already considering for introduction early in the next Parliament. These ought to be identified as soon as possible so that any policy issues needing collective consideration can be settled and authority given for drafting to begin as soon as resources become available.
5. It is impossible to tell at this stage whether all this will add up to a programme which could take us through the early stages of a new Parliament while major Bills, based on proposals in our manifesto, are being drafted. We shall be able to judge this better when we know what new measures Departments have in mind and how advanced they are in the preparatory work.

6. If my colleagues agree, I will now ask Departments to send in the usual returns of their proposals for future legislation, indicating in each case the present stage of preparation and when they would expect to be able to give instructions to Parliamentary Counsel. Departments might also be asked to say whether any of the Bills included in this Session's supplementary list are no longer required. The Future Legislation Committee could consider the returns towards the end of March and I would report to Cabinet after Easter.

T. F. P.

Privy Council Office, S. W. 1.

17th February, 1970
CABINET

THE REORGANISATION OF THE HEALTH SERVICE IN WALES

Note by the Secretary of State for Wales

I circulate for the approval of the Cabinet a draft Green Paper on the Reorganisation of the Health Service in Wales. This draft has been amended in the light of the discussion of an earlier draft by the Ministerial Committee on Social Services and to take account of comments by Departments.

G. T.

Welsh Office, S.W. 1.

19th February, 1970
WELSH OFFICE

THE REORGANISATION OF
THE HEALTH SERVICE

IN WALES
THE RE-ORGANISATION OF THE HEALTH SERVICE IN WALES

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FOREWORD BY THE SECRETARY OF STATE FOR WALES

In July 1968 the then Minister of Health published for general discussion a Green Paper putting forward suggestions for the future administrative structure of the medical and related services in England and Wales. A further Green Paper was published on the 11 February 1970 by the Secretary of State for Social Services containing revised proposals.

The second Green Paper applies in terms to England only, but the argument it advances, and the general principles of organisation it proposes, are valid for Wales as for England. There are many reasons for this. The broad objectives for the advancement and improvement of the health service are the same in both countries. The public will expect similar standards and similar procedures for obtaining services, whether in Wales or in England. Further, the professions are organised on an England-Wales basis. However, there are important differences between the two countries. A policy of administrative devolution to Wales is in progress, and it is in keeping with this policy that decisions affecting Wales and the Welsh people should be taken within Wales. Since the 1 April 1969 the Secretary of State for Wales has been responsible for the administration of the Health Service in Wales (and jointly with his colleagues in England and Scotland for health policy as a whole). Wales is a small country, and the Secretary of State and his Department are in close touch with local needs and aspirations. Again, the future organisation of local government in Wales will differ in a number of important respects from the system in England. Finally, the form of organisation at the all-Wales level needs careful consideration. No definitive solution can, or should, be proposed until the Commission on the Constitution has reported.

This Green Paper describes briefly the existing system in Wales as it has developed over the twenty-two years since the establishment of the National Health Service in 1948. It then sets out the three firm decisions which the
Government has taken on the future structure of the health service. First, it
has decided for reasons which are given that the health service will not be
administered by local government but by area health authorities directly
responsible to the central government, and closely associated with local
authorities. Secondly, it has decided on the administrative boundary which must
as a consequence be drawn between the National Health Service and the public
health and personal social services which will continue to be administered by
local authorities. Thirdly, it has decided that in general the number and areas
of the new health authorities must match those of the larger and stronger local
authorities which will result from the reorganisation of local government in
England and Wales.

This Green Paper then outlines a health service structure for Wales consistent
with the main principles proposed for England but which takes into account the
special circumstances of the Principality. With the exception of the three firm
decisions I have mentioned the Government are not yet firmly committed to their
proposals for Wales which, together with the proposals in the Green Paper for
England are put forward for public discussion. Further, any proposals put
forward for reorganising the health service in Wales at the present time must not
pre-empt the outcome of the work upon which the Commission on the Constitution
are engaged.

Much still needs to be done to work out in detail the arrangements proposed in
this Green Paper and I shall welcome comments and suggestions from organisations
and individuals. I shall be discussing all aspects of my proposals with
representatives of the staff who would be affected by them.

Wales owes much to the devoted services of all those who at present take part
in the management and operation of the health service and related services in
Wales, whether they are members of local government bodies or of health
authorities, or are employed in the services, or are members of the general
medical, dental, ophthalmic and pharmaceutical services. All these men and women have given Wales much in the past, and they will have an even more important and constructive part to play in the future.

GEORGE THOMAS
1.1 Since the introduction of the National Health Service in 1948 the service in Wales, as in England, has been organised in three branches; the hospitals, the family practitioners and the local authority services.

THE HOSPITAL SERVICE

1.2 The Welsh Hospital Board is appointed by the Secretary of State, and is responsible to him for the administration of the hospital service in Wales, except for the teaching hospital group in the Cardiff area. It has a Chairman and 31 members, and its headquarters staff, based in Cardiff, number about 500. There is a small detached office in North Wales. The Hospital Board appoints Hospital Management Committees which run groups of hospitals. There are 15 hospital management committees with a total membership of 250 and they are, in general, the employing authorities of the staff in the hospital service, who number about 30,000. The teaching hospital group is managed by the Board of Governors of the United Cardiff Hospitals, also appointed by the Secretary of State, consisting of a Chairman and 29 members (with one co-opted member). The Welsh Hospital Board provides some 25,800 beds and the Board of Governors 1,050 beds.

THE FAMILY PRACTITIONER SERVICES

1.3 The family services provided under the National Health Service by family doctors, dentists, ophthalmic medical practitioners, opticians and pharmacists are administered in Wales by 15 Executive Councils, one for each county and county borough, except that there is one council covering the counties of Denbigh and Flint, and one covering Monmouthshire and Newport county borough. Each executive council consists of thirty members; so in Wales as a whole there are 450 persons serving as members of executive councils. They employ 250 administrative and clerical staff.
The Welsh Joint Pricing Committee carries out the duties of the executive councils in Wales in respect of the examination, checking and pricing of prescriptions for drugs, medicines and appliances supplied as pharmaceutical services. It has 14 members, and employs about 130 administrative and clerical staff at its headquarters (the Welsh Joint Pricing Bureau) in Cardiff.

LOCAL AUTHORITY PERSONAL HEALTH AND WELFARE SERVICES

There are 17 local health authorities. They provide a wide range of personal health services. These cover medical, dental and other services for mothers and young children; domiciliary midwifery; home nursing and health visiting; vaccination and immunisation; home helps; the ambulance service; services for the mentally ill and mentally handicapped; family planning; and health education. A number of local health authorities have established health centres. These personal health services are referred to the health committee of the council, and the medical officer of health is the responsible principal officer.

The same authorities are also responsible for important personal welfare services. They provide residential accommodation for persons who, because of age, infirmity or other circumstances, are in need of care and attention and temporary accommodation for homeless people.

They also have a duty to promote the welfare of the blind, the partially-sighted, the deaf, the hard of hearing and others who are substantially and permanently handicapped by illness, injury or congenital deformity.

(1) Local health and welfare authorities are the county councils and the county borough councils. Rhondda BC carries out certain personal health and welfare functions by delegation. Borough and district councils also have welfare functions in providing meals and recreation for old people.
The personal welfare services are usually referred to the welfare committee of the council. The Seebohm Committee recommended that these services, together with other personal social services, notably the children's service and certain services now the responsibility of local authority health committees, should in future be the responsibility of a single social services committee. The Local Authority Social Services Bill seeks to give effect to these recommendations.

OTHER LOCAL AUTHORITY SERVICES

Local authorities are also responsible for important environmental health functions, including food hygiene and the prevention of the spread of infectious diseases. Certain authorities are responsible for health control at sea-ports and at air-ports. County borough and county district councils are housing authorities responsible for the provision of housing including housing suitable for the elderly and the handicapped.

THE SECRETARY OF STATE FOR WALES

On the 1 April 1969 the Secretary of State for Wales assumed many of the statutory functions exercised up to then by the Secretary of State for Social Services. The Secretary of State became responsible for the administration of the health service in Wales, including the provision of the hospital and specialist service and the general medical, dental, ophthalmic and pharmaceutical services, and the local health authority health and welfare services. In addition he is responsible with the Secretary of State for Social Services and the Secretary of State for Scotland for policy questions affecting the health service generally in Great Britain.

The Welsh Office now incorporates the staff of the former Welsh Board of Health, which between 1919 and 1969 exercised certain health functions in Wales under the direction of the health department in London.

* Report of the Committee on Local Authority and Allied Personal Social Services (Cmd 3703)
GENERAL PRINCIPLES

THE NEED FOR SIMPLIFICATION AND REORGANISATION

2.1 The health service has worked well during its 22 years. It has lived up to the four principles on which it was built. These are worth recording. They established that;

(i) the health service should be financed by taxes and contributions paid when people are well rather than by charges levied on them when they are sick; and the financial burden of sickness should be spread over the whole community.

(ii) the service should be a national one, aiming at providing the same high quality of service in every part of the country.

(iii) the service should provide full clinical freedom to the doctors working in it.

(iv) the service should be centred on the family doctor team providing the essential continuity to the health care of each individual and family and mobilizing the services needed.

2.2 Nevertheless the time has come to make further progress so that the service can meet the needs of the 70s and 80s. Chapter 1 has shown just how complex the present organisation in Wales is. This complexity presents problems of co-ordination and control. Notably the boundaries of local authorities and the hospital service do not correspond, so that individual local health authorities may have to be in touch with several hospital management committees, while the Welsh Hospital Board has to deal with 17 local health authorities. There are difficulties of co-ordination, for example between hospital and local authority services for the elderly and the handicapped. The division of the service into three parts makes more difficult the most economical use of scarce resources. Different forms of organisation for the family practitioner services and the hospital service do not help communication between family doctors and the hospitals. The family doctors are increasingly working in teams with health
visitors, midwives and district nurses, some or all of whom are employed by local authorities; and the doctors may themselves practise from premises provided by the authorities. The Government has come to the conclusion that there is a compelling case for reorganisation.

2.3 There are four main objectives to be met in planning the reorganisation. It should

i. unite the existing separate services and integrate them at the local level;

ii. establish close links between the unified service and the public health and social services provided by local government;

iii. place maximum responsibility for administering the service consistent with national plans and priorities on area health authorities, in which there must be strong local and professional participation, and involve each community in the running of the services of its district;

iv. provide effective central control over the money spent on the service and ensure that the maximum value is obtained for it.

These objectives apply equally to the reorganisation of the health service in Wales as in England.

HEALTH AUTHORITIES AND LOCAL GOVERNMENT

2.4 It has been strongly argued that the unified health service should become part of the reorganised system of local government. The Government has however decided against this for two main reasons. The first is that the professions believe that only a service administered by special bodies on which the professions are represented can provide a proper assurance of clinical freedom. Second, it would not be practicable to transfer financial responsibility for the health service to local authorities, given their present resources, and in addition to their financial commitments on the scale which would be implied would seriously complicate the problem of how to reduce the financial dependence of local authorities on the central government.
2.5 The Government has therefore concluded that the reorganised health service should not be part of the system of local government in England or Wales, though it should be closely associated with it. It will be a service provided and financed by the central government.

2.6 This decision means that a boundary has to be drawn between the services which will be administered by local authorities and those which will be unified in the reorganised health service. The present position has been described in Chapter 1.

The main principles which it is proposed should be followed for the future are that the services should be assigned to local government and the health service respectively according to the main skills required to provide them. Broadly speaking, **health authorities** will be responsible for services where the primary skills needed are those of the health professions, while the **local authorities** will be responsible for services where the primary skills relate to social care or support. Even the application of this principle can give rise to some difficult questions of demarcation.

2.7 A matter of particular importance to Wales, as in England, is the division of responsibility for care of the mentally ill and the mentally handicapped, and of the elderly. It is proposed that in the case of the services for the **mentally ill** and **mentally handicapped**, the essential medical diagnosis, treatment, assessment and reassessment should be undertaken by the staff of the health authorities in the same way as the assessment and medical management of associated physical disabilities. Local authority social services would be responsible for providing the adult training centres, though medical assessments may be undertaken in them and also for social work with the mentally disordered. The area health authorities would be responsible for hospital and hostel services for the mentally ill or handicapped who need continuing psychiatric supervision - including those who are being considered for discharge and need a trial period in a hostel where the practicability of discharge can be further assessed. Residential care for people who are able to manage without continuing psychiatric supervision would be...
provided as at present by the local authorities. Similarly, it would be the local authorities' responsibility to provide social services for the elderly, including residential accommodation for those who cannot live at home but do not need continuing medical supervision.

2.8 Lists of the services which it is proposed to place within the unified health service, and of those which will continue to be administered by local authorities, are given in Appendix 1.

2.9 It follows from the decision that the health service should be reorganised outside local government as a central government service that Ministers will be responsible to Parliament for its operation. They must therefore have power to control and direct the service, but it is proposed that its management should be entrusted to health authorities coterminous with the main local government areas into which the country will be divided when local government is reorganised. A close working relationship will thus be established between the health and local government services. People who live in the same town or village will find that responsibility for the services affecting their health and personal well-being, and for the environment in which they live, lies with parallel authorities, having precisely the same boundaries, working closely with each other, and having the same communities in their care. Co-operation between the two authorities will be far reaching. For example, through their respective professional officers the health authority will advise the local authority on health questions, and the local authority will advise the health authority on social services questions. It is proposed to empower each type of authority to undertake work on behalf of the other.

2.10 The Green Paper for England makes proposals for the composition of the health authorities, designed to give a full measure of representation to local government and the professions while enabling the central government to carry out its overall responsibilities. It is proposed that one-third of the members of
the health authorities should be appointed by the local authority for the area, one-third by the health professions, and one-third plus the chairman by the Secretary of State.

THE FAMILY PRACTITIONERS

2.11 Within the unified service the family practitioners will have a very important part to play. They are normally the first to whom we turn when sickness strikes. The independence of the family practitioners is assured at present under the arrangements centred on executive councils described in Chapter 1. Similar safeguards are proposed for the future, and these must apply in Wales and in England.

WALES AND ENGLAND

2.12 The application of the general principles outlined in the preceding paragraphs to the future organisation of the health service is developed in detail in the Green Paper for England. These detailed proposals are commended for study and discussion in Wales also. However, special thought must be given to the structure of the service in Wales, since there are considerations affecting Wales which do not arise in regions of England, and not all the institutional arrangements proposed for the organisation of the service in England are suitable for adoption without some modification in Wales. The Government's proposals for Wales are set out in the next chapter. Within the general pattern of a national health service for Great Britain which must aim at uniform standards of provision and care, there is room for putting forward for discussion by the Welsh people proposals for the structure of the service which take account of the functions of the Secretary of State for Wales as a Health Minister, and the general policy of administrative devolution to Wales.
THE STRUCTURE PROPOSED FOR WALES

3.1 The proposals which follow are put forward for public discussion and comment. They are consistent with the proposals for England, but have been framed to take account of the special circumstances of Wales.

First, the Secretary of State for Wales is solely responsible for the administration of the health service within Wales, and is jointly responsible for aspects of health policy common to Great Britain.

Second, Wales must be treated as one unit for the planning and control of the health service. It is too small to be split into two or more regions.

Third, the pattern of local government in Wales will differ in some ways from that in England.

AREA HEALTH BOARDS

3.2 The objective of reorganisation in Wales must be to provide the best standard of care for its people. To this end an effective management instrument is needed which will be in close touch with local government in Wales. It is proposed that the unified health services should be placed under area health boards (this is not necessarily the final choice of name) coterminous with the areas of the new local authorities responsible for the personal social services which will be set up when local government in Wales is reorganised. These boards will be the equivalent of the area health authorities in England. They will be directly responsible to the Secretary of State for planning the health services of their areas and for management of the services. Through a statutory committee they will contract with the general medical practitioners, dentists, ophthalmic medical practitioners, opticians and pharmacists. The Secretary of State will allocate finance to the boards, and approve annual budgets. He will ensure co-ordination and see to the overall planning of the health services in Wales. The structure will thus be a single-tier one. These proposals are discussed in greater detail.
in the paragraphs that follow.

NUMBER OF AREA BOARDS

3.3 It is proposed that there should be an area board for each of the proposed counties of Clwyd, Dyfed, Gwynedd and Powys and for the three unitary areas into which it is proposed that the existing counties of Glamorgan and Monmouthshire and the county boroughs of Cardiff, Newport, Swansea and Merthyr Tydfil should be divided. There will thus be seven boards; details of their area and population are given in Appendix 2.

3.4 These are all sizeable areas, and with the exception of Powys they all have a population in excess of 200,000, most of them very much greater. Their boards will thus have a substantial planning and management function to perform. In the case of Powys the population is well below the figure for which a full range of health services can be best and most economically provided. The new county will not have within its boundaries a major general hospital, and will need to look to major hospitals in the surrounding areas, depending on locality. Consideration has therefore been given to the possible division of Powys for health purposes so that, for example, the area of the present county of Montgomeryshire might be associated with the Gwynedd and Clwyd health areas while the present counties of Breconshire and Radnorshire might be associated with Monmouthshire. There are, however, major objections. A reorganisation of this kind would cut across local government boundaries. The problem is mainly a hospital one; the executive council services and the health services to be transferred from local authorities do not present organisational difficulties to the same extent, although these services too need to function in close association with the hospital services. If the unified health services were split between two health areas responsible also for other counties it would be difficult to ensure adequate and balanced representation of all interests in the composition of the area boards and to achieve close co-operation with the Powys County Council and the district councils in the county in respect of the 10.
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social services and the environmental and other health services which will be their responsibilities. In all the circumstances the best course seems to be to establish a health area coterminous with the proposed county of Powys. The treatment of patients knows no frontiers, and the arrangements for looking after residents in Powys who need treatment will not be impeded in any way by health or local authority boundaries. It will however be necessary to devise some machinery to ensure that the needs of Powys are not overlooked in the planning of health services in areas adjacent to the county.

FUNCTIONS OF AREA BOARDS

3.5 The area boards will be responsible for the administration of the unified health service in their areas. The task will be one of considerable magnitude. In 1970/71 revenue expenditure is estimated to be as shown below -

| TABLE 1 |
| Health service expenditure (estimated) |

<table>
<thead>
<tr>
<th>1970/71</th>
<th>£ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local government - health services (to be transferred)</td>
<td>6</td>
</tr>
<tr>
<td>Hospitals</td>
<td>53</td>
</tr>
<tr>
<td>Executive Councils</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83</strong></td>
</tr>
</tbody>
</table>

3.6 The proportion of the total expenditure which will be incurred by individual boards will vary, principally in proportion to the population they serve.

3.7 Each of the boards will offer a challenge to the abilities of all those concerned with the management of its services, whether as members of the board itself or as officers and staff. Each board will need to employ experienced medical and lay administrators.

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It will be the responsibility of the boards to plan the services in their areas, and for this purpose they will submit to the Welsh Office both their long term plans and their yearly estimates. The Welsh Office will be responsible for allocating resources to the boards, will lay down broad lines of policy, and will supervise the service generally.

In the past the public has been uncertain where to place responsibility for certain of the services which are now to be unified, notably the hospital services. Under the reorganisation proposed it will be clearly seen that responsibility for the management of the hospital and other services and for their efficient functioning lies fairly and squarely with the boards and they will be, in a very real sense, answerable to the community.

The Welsh Office will be discussing with the Welsh Joint Education Committee practical arrangements for the future operation of the school health service, which is among the services which it is proposed should become the responsibility of area boards.

COMPOSITION OF AREA BOARDS

It is proposed that the area boards should be executive bodies with twenty to twenty-five members, one-third appointed by the health professions, one-third appointed by the coterminous local authorities (the 4 counties and 3 unitary areas) and one-third appointed by the Secretary of State for Wales. The Secretary of State would in addition appoint the chairmen of the boards.

The board for Cardiff and East Glamorgan will cover the hospitals associated with the Welsh National School of Medicine. The University of Wales will be invited to nominate additional members to this board to ensure that the interests of medical and dental education and research are safeguarded, and to bring related scientific expertise to the board.
3.13 Much devoted service has been, and is being given, by the members of existing hospital authorities. But a representative element is needed in the management of the service, and this is the reason for the wide and balanced membership proposed for the boards, a majority of whose members will be elected by the local authority or chosen by the professions. In respect of planning for Wales as a whole, for major policy decisions, and for the overall control of the service the responsibility of the Secretary of State, who is himself answerable to Parliament, will be clear and unquestioned.

3.14 The Government proposes to pay the chairmen of the boards part-time salaries on a basis to be settled later. Members of the boards will receive travelling expenses and subsistence and related allowances.

ORGANISATION WITHIN AREA BOARDS

3.15 Each area board will need to give careful thought to the best form of organisation needed to ensure that its services respond to local needs and attract local interest and support. The principal objective should be efficient management. In each area, with the exception of Powys, there will be at least one major general hospital; each of the proposed unitary areas in South East Wales will include two or more major general hospitals. These hospitals and the services grouped around them form natural units of health administration, and the boards will probably wish to build round these units a decentralized system of day to day management through district committees. In some parts of Wales, where there are scattered communities considerable distances apart, similar decentralization not necessarily related to a major general hospital may be desirable.

3.16 The role of district committees is discussed in the Green Paper for England. Much that is said there will be applicable in Wales. The district committees, like other committees of the board, will be needed primarily in the interest of effective management; management, to be effective, must of course
maintain the confidence of the people whom the health service exists to serve. It is proposed that half the membership of district committees should be drawn from the area boards, and half from other people living or working in the district, so that the local community can be identified with the running of its local health service. The way in which the members drawn from the local community are appointed is a matter for discussion. There are various possibilities. It would not be appropriate for the Secretary of State to appoint members to bodies which would be sub-committees of the area boards and directly answerable to them. One course might be for the area board to select members from the local community in its own discretion. Another might be to invite local representative bodies, including the professions and the trade unions to put forward names from among whom the board would choose the additional members or a proportion of them. Whatever the solution adopted its aim should be to bring in to the district committees both local knowledge and experience of management.

STATUTORY COMMITTEE FOR THE FAMILY PRACTITIONER SERVICES

3.17 As in England, each area board will be required by statute to establish a special committee which will be directly responsible for securing the provision of the family practitioner services in accordance with regulations which will apply uniformly in Wales as in England. This committee will stand in the same relationship to those who contract to provide these services as the executive councils do now; and its composition will resemble that of the executive councils. The area board and the statutory committee will be served by a common staff.

THE ALL-WALES LEVEL

3.18 The arrangements set out in previous paragraphs are designed to provide a good managerial framework, with a direct line of responsibility from the Welsh Office to the area boards, and a satisfactory system of local participation in the running of the service.
3.19 The reasons which have led the Government to propose a regional organisation in England do not apply in Wales. In England health authorities need to be grouped for planning purposes, and for assessing priorities between competing developments. In Wales there will be only seven area boards, a number small enough to be in direct relationship with the Welsh Office, which is the central government's Health Department for Wales.

3.20 A number of suggestions have recently been put forward that there should be some form of all-Wales health authority of a representative nature, with oversight of the health service. Close consideration has been given to this question. There is already in being the Welsh Council, whose terms of reference cover social as well as economic questions. This Council has established a health panel. The Commission on the Constitution has received suggestions from several witnesses that an elected Welsh Council should be given executive authority over the operation of the health services.

Any proposals for health service re-organisation for Wales put forward at the present time must not pre-empt the report which the Commission will make. It will be for the Government to take decisions on this important matter in the light of that report. Meanwhile the executive functions which will be discharged by the Regional Health Councils in England will be undertaken by the Welsh Office (see paragraph 3.25 below). The Secretary of State will of course need expert advice. On matters of common interest to England and Wales it is proposed that a Central Advisory Council should advise the Secretary of State for Social Services and the Secretary of State for Wales. Regular meetings of chairmen of the Welsh area boards and their officers will be held at which the planning of the services in Wales will be discussed. The Secretary of State will also be able to obtain advice on professional matters through representatives of the professions concerned, and from the Hospital Advisory Service which advises him on conditions in hospitals in Wales and will facilitate the communication of ideas between the Welsh Office, the area boards and the
hospitals themselves. The Secretary of State will also look to the Welsh Council for advice as occasion requires. Consideration will be given to strengthening its membership for this purpose.

3.21 With the integration of the management of the health services and the development of strong area health boards, there will no longer be a need for a regional hospital board as such. The Welsh Hospital Board will therefore cease to exist. Planning and certain other functions in respect of the hospital service in Wales as a whole now undertaken by the Welsh Hospital Board will become the responsibility of the Welsh Office while the area boards themselves will be responsible for the administration of hospitals in their areas, as well as for other health functions, and for drawing up plans to meet future health needs. The future organisation of certain common services is discussed in paragraphs 3.25 - 3.30 below.

3.22 It is relevant to note that consultations are at present in progress about the possible amalgamation of the Board of Governors of the United Cardiff Hospitals and the Cardiff and District Hospital Management Committee. This amalgamation will enable a useful measure of rationalisation to take place in the Cardiff area before the reorganisation of the health service as a whole.

3.23 The Welsh executive councils will also cease to exist, though their work will still be carried on in much the same way within the unified service and the understanding relationship which they have built up with the general medical practitioners, dentists, ophthalmic medical practitioners, opticians and pharmacists in their area will be a useful foundation for the work of the new statutory committees with whom these professions will enter into contract. Some re-organisation of the structure of executive councils would in any case have had to take place with the re-organisation of local government in Wales.
FUNCTIONS OF THE WELSH OFFICE

3.24 The Secretary of State for Wales is not only responsible for the health service; he is also responsible for related local authority services, including the welfare services and housing. He is thus well placed to encourage the co-operation which will be required between the area health boards and the re-organised local authorities.

3.25 The main functions of the Welsh Office will be to undertake the overall planning of the health services in Wales: to process the plans prepared by the area health boards, to determine priorities and allocate resources, to supervise generally and to carry out certain common services. For this purpose the Welsh Office will draw on staff at present serving in the Health Service, including posts in local government, in Wales.

COMMON SERVICES

3.26 At present the Welsh Hospital Board is responsible for planning the hospital services in Wales; and to fulfil its responsibilities in respect of hospital building projects it employs architects, engineers, quantity surveyors and other staff. It also provides certain common services for the hospital management committees who are responsible for the day to day running of hospitals and in some cases also for the Board of Governors of the United Cardiff hospitals. Examples are computer services, including the preparation of payrolls, accounts, and the analysis of medical records; supplies, legal, printing and Organisation and Methods services. The Board also provides medical and nursing advisory services to the hospital management committees. (A full list of common services is given in Appendix 3).

3.27 It is desirable in the interests of efficiency that most of these functions should be carried out on an all-Wales basis. The area boards will however each cover a larger area than the present hospital management committees, and they will have a far wider range of responsibilities. Their staff will be
considerably strengthened, to carry out the work which will be transferred to them from the Welsh Hospital Board and from local authority health departments. They will also have close links with the supply and other executive departments of local authorities. It may therefore be appropriate to devolve some of the work at present undertaken by the Welsh Hospital Board to the area boards.

3.28 The form of organisation best suited for handling common services will be discussed with the Welsh Hospital Board, the hospital management committees and local authorities, together with representatives of the staff. Whatever solution is adopted it must be the one best adapted to carrying out efficiently the important work involved, and it must safeguard the interests and provide adequate career opportunities for the staff employed. At this stage none of the various possibilities is excluded. There might be a case for a central autonomous organisation appointed by and responsible to the Secretary of State; or the area boards might create a common services organisation to act on their joint behalf. Again, one of the boards might act as an agent for several. In some fields, particularly where advisory functions are involved, it would be appropriate for the Welsh Office itself to provide the service.

3.29 One important function which will need special consideration is the planning and execution of capital building projects. Speed and economy point towards concentration of planning, design and the oversight of construction. It would be wrong to allow the hospital planning and design teams at present employed by the Welsh Hospital Board to be dispersed and to waste the Board's accumulated experience. The local authorities also have relevant experience, for example in the design and construction of health centres. One solution might be to establish a consortium of all the area boards; another, to appoint one board to undertake the work for all the boards; a third would be for the Welsh Office to assume responsibility, delegating to area boards the planning and execution of projects within prescribed limits varying according to the size and
resources of the boards. These alternatives will need careful discussion.

3.30 Certain health service functions will have to be organised on an England/Wales basis, or indeed on a Great Britain basis, for example in relation to the problem of drug dependence. Further, Welsh health areas which border on English health areas will need to co-operate and co-ordinate their services with the neighbouring English authorities as well as with other Welsh areas, and will offer and expect reciprocal services.

REGIONAL AND SUB-REGIONAL SPECIALTIES

3.31 It is at present the responsibility of the Welsh Hospital Board to ensure that a full range of hospital facilities are available for all parts of its area. These are usually provided in individual hospital management committee areas, but certain medical specialties are provided on a regional or sub-regional basis. Decisions on the location and development of these specialties, and also on arrangements for the Blood Transfusion Service, will be taken by the Welsh Office as part of its proposed overall planning function, in consultation with the area boards, the professions and the University of Wales.

JOINT PRICING BUREAU

3.32 The Bureau is administered by the Welsh Joint Pricing Committee, (see paragraph 1.5) which is a joint committee of all the Welsh executive councils set up to carry out drug pricing functions for the whole of Wales. The Bureau should be kept in being, and its work could appropriately be a joint activity of the area boards.

AMBULANCE SERVICE

3.33 In Wales, distances are frequently great and road communication not always easy, and in most of Wales it is considered that responsibility for the ambulance service could be assumed by the area boards. It is important that the ambulance service should be closely linked with a major general hospital; and further thought will be needed in respect of ambulance services in Powys, where there
will be no major general hospital within the county. Co-ordinating and advisory functions for Wales as a whole would be arranged through regular meetings of staff responsible for the ambulance service with the Welsh Office.

THE STAFFING OF THE SERVICE

3.34 Area boards will be the employers of all staff directly employed in the health service in their areas, including staff at present employed in the hospital service, the staff of the Welsh executive councils, and staff transferred from local government. General medical practitioners, dentists, ophthalmic medical practitioners, opticians and pharmacists will be in contract with the statutory committee of an area board.

3.35 The proposals for re-organisation must safeguard the interests of the staff involved, and in particular ensure that there are proper career opportunities. A Staff Commission or similar machinery will be set up in consultation with representatives of the staff. This will have to work closely with the Welsh Local Government Staff Commission, which will be considering the recruitment and transfer arrangements and other staffing problems arising from the re-organisation of local government in Wales.

3.36 The rights of transferred staff will be maintained. There will be full consultation with all the staff interests concerning the effects of the changes on the staff themselves, for example, on any superannuation questions that arise. Rates of pay and conditions of service in the new administrative structure will continue to be settled through England/Wales machinery.

TRAINING

3.37 The integration of the health service provides the opportunity for developing new forms of training to meet the needs of a service in which individual officers are likely to have a wider range of responsibility and more complex duties than in the separate branches of the service today. The area
boards will have the prime responsibility for training the staff they employ, but some forms of training will have to be organised on a scale wider than that of a single area, and some on a wider basis than Wales alone. The necessary planning will be undertaken by the Welsh Office in consultation with area boards, the professions and the staff associations. Special attention will need to be paid to medical post-graduate and vocational training. Here the Welsh National School of Medicine will have a specially important role. The health service in Wales will also be able to participate in the wider arrangements for training and staff development which will be organised on an England/Wales basis.

COMPLAINTS AND A HEALTH COMMISSIONER

The area boards themselves would be expected to deal with complaints from members of the public about the services they provide. The first Green Paper published in 1968 suggested the possible appointment of a Health Commissioner or Commissioners to consider complaints not dealt with by the health authority to the satisfaction of the complainants. The Welsh Office will be associated with the consultations which are to take place, as forecast by the Prime Minister in July 1969, with the professional and other interests about this proposal.

VOLUNTARY EFFORT

Though the existing arrangements for the management of the health service and the related local government services in Wales, described in Chapter 1, need simplification and re-organisation they have the merit of involving a large number of people, in many walks of life, who have given valuable voluntary service and have acquired experience in handling problems of management. They have also become experienced in dealing with sympathy and understanding with the individuals, and the communities, whom they serve. The area boards and their committees will not provide so many opportunities for service directly concerned with the management of the unified health services. It is therefore important that area boards should enlist the enthusiasm
and practical support of the communities whom they serve. At present hospitals and local authority homes and hostels, in particular, receive valuable support from the community. This should be further encouraged and developed. There is great scope for public interest in hospitals, particularly long stay hospitals, in hostels and training centres for the handicapped, and in services for the aged and others suffering from some temporary or permanent disability. Area boards and the local authorities responsible for the personal social services will need to work together in enlisting the support of local communities for these services.

TRUST FUNDS

3.40 The hospital authorities in Wales are trustees of funds given over the years by benefactors for hospital purposes. The local character of these gifts must be respected. It is therefore proposed to transfer these trusts to the area boards who will also be able to accept and seek fresh gifts and donations. Present funds held for specific purposes will need consideration to see how far it may be necessary to maintain limitations on their future use.

OCCUPATIONAL HEALTH

3.41 The Government has announced its intention of establishing within the Department of Employment and Productivity the Employment Medical Advisory Service. This will bring together into a single organisation responsibility for the work now done by Medical Inspectors of Factories and Appointed Factory Doctors together with that carried out in Government Training Centres and Industrial Rehabilitation Units. It will also be concerned with any medical problems which arise in connection with employment and as an expert service will be available to give advice and help to anyone needing it.

3.42 It is intended that there should be close links between local authorities, area health boards and the Employment Medical Advisory Service. Local authorities have certain enforcement duties under the Factories Act and the Offices, Shops
and Railway Premises Act and it is essential that they and the area boards should maintain close links with the services provided by the Employment Medical Advisory Service, which must also work in close liaison with the personal health services to ensure that occupational factors are not lost sight of in treatment. The needs of the Employment Medical Advisory Service will be taken into account in the development of hospital laboratory and other specialist facilities.
CHAPTER 4
CONSULTATIONS AND FUTURE ACTION

4.1 This Green Paper is published for general discussion. Copies are being sent by the Welsh Office to the interested bodies in Wales, with a request for comment: these include the Welsh Council, the local authorities, the Association of Welsh Executive Councils and the individual Executive Councils, and the hospital authorities. It is also being sent to the Local Authority Associations, the professional bodies, and the Trade Unions and Staff Associations representing those employed in the Health Services. The views of voluntary bodies working in the health and welfare fields, as well as of private individuals, will also be welcome. Comments should be sent to the Welsh Office not later than the end of June 1970.

4.2 Firm decisions on the future structure of the Health Service in Wales will then be taken in the light of the comments received on this Green Paper and on the Green Paper for England.
UNIFIED HEALTH SERVICE AND LOCAL AUTHORITY SERVICES

It is proposed that the following services should be brought within the unified health service;

(a) the hospital and specialist services
(b) the family practitioner services
(c) the following personal health services at present the responsibility of local health authorities;
    (i) ambulances
    (ii) epidemiological work (general surveillance of the health of the community)
    (iii) family planning
    (iv) health centres
    (v) health visiting
    (vi) home nursing and midwifery
    (vii) maternity and child health care
    (viii) prevention of illness, care and after care through medical, nursing and allied services (including chiropody, health education (other than its place in the school curriculum) and screening.
    (ix) residential accommodation for those needing continuing medical supervision and not ready to live in the community.
    (x) vaccination and immunisation
(d) the school health service.
Local authorities will continue to be responsible for other important social services. In addition to the social services at present provided for the elderly, the handicapped and the homeless, and the children's services, local authorities will remain responsible for the following services at present provided under health powers:

(i) family case work and social work with the sick and the mentally disordered;

(ii) day centres, clubs, adult training centres and workshops for the above;

(iii) the day care of children under five, day nurseries and child-minding;

(iv) the care of unsupported mothers, including residential care;

(v) residential accommodation for those who cannot live at home but do not need continuing medical supervision;

(vi) home helps.

Local authorities will also retain important public health functions including:

(i) the prevention of the spread of communicable diseases other than by specific prophylaxis or treatment;

(ii) food hygiene and safety;

(iii) port health;

(iv) the public health aspects of environmental services;

(v) diseases of animals in so far as they affect human health;

(vi) enforcement responsibilities relating to environmental conditions at work places;

(vii) health education (concurrently with health authorities).
## Wales

### Health Areas

Coterminous with:

<table>
<thead>
<tr>
<th>New administrative county</th>
<th>Population (mid 1969)</th>
<th>Area (acres)</th>
<th>Present administrative areas covered by new authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwynedd</td>
<td>212,000</td>
<td>916,000</td>
<td>Anglesey, Caernarvonshire and Merioneth (excluding Edeyrnion Rural District)</td>
</tr>
<tr>
<td>Clwyd</td>
<td>355,000</td>
<td>639,000</td>
<td>Denbighshire, Flintshire and Edeyrnion Rural District</td>
</tr>
<tr>
<td>Powys</td>
<td>116,000</td>
<td>1,281,000</td>
<td>Montgomeryshire, Radnorshire and Breconshire</td>
</tr>
<tr>
<td>Dyfed</td>
<td>318,000</td>
<td>1,425,000</td>
<td>Cardiganshire, Pembrokeshire and Carmarthenshire</td>
</tr>
</tbody>
</table>

### Proposed unitary areas

<table>
<thead>
<tr>
<th>Proposed unitary areas</th>
<th>Population (mid 1969)</th>
<th>Area (acres)</th>
<th>Present administrative areas covered by new authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swansea and West Glamorgan</td>
<td>372,000</td>
<td>201,000</td>
<td>Swansea CB and West Glamorgan including Port Talbot MB and Glyncorrwg UD</td>
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<td>Cardiff and East Glamorgan</td>
<td>919,000</td>
<td>335,000</td>
<td>Cardiff CB: Merthyr Tydfil CB; most of the rest of the County of Glamorgan; small parts of Monmouthshire</td>
</tr>
<tr>
<td>Newport and Monmouthshire</td>
<td>432,000</td>
<td>332,000</td>
<td>Newport CB: most of Monmouthshire</td>
</tr>
</tbody>
</table>
COMMON SERVICES PROVIDED BY THE WELSH HOSPITAL BOARD

I. Services provided for Welsh Hospital Board hospitals and the United Cardiff Hospitals;
   a. Computer services
      i. Hospital activity analysis
      ii. Compilation of pay rolls (including work for some health authorities in England)
      iii. Financial records and accounts
      iv. Stores accounts
      v. Analysis of medical records for statistical and research purposes.
   b. Staff training courses for administrative and nursing personnel.
   c. Central supplies service (covering approximately 70% of total Board of Governors supplies expenditure).
   d. Cancer registration bureau.

II. Services provided for Welsh Hospital Board hospitals only;
   a. Medical and nursing advisory services.
   b. Legal services.
   c. Organisation and management services
   d. Public relations services.
   e. Printing services (some hospital management committees make local arrangements).
   f. Domestic services advisory service (from 1970/71).
CABINET

PROPOSED IMPROVEMENTS IN LAND COMPENSATION: INCLUSION OF A SCHEME DEALING WITH INJURIOUS AFFECTION

Memorandum by the Secretary of State for Local Government and Regional Planning

The improvement proposals as a whole.

The Minister of Housing and Local Government in his memorandum to the Home Affairs Committee advocated an early announcement that we would prepare a Bill for next Session to amend the law on land compensation. His main proposals (following an unpublished official report) were:

(a) Retaining market value as the basis of compensation for acquisition (though with some minor modifications).

(b) Bringing forward the time at which an owner-occupier can require a public authority whose plans are blighting his property to purchase it.

(c) Abolition of certain surviving exceptions to the rule that no compensation is payable to owners for refusal of development permission.

(d) Introduction at an annual cost estimated at between £7½ million and £15 million, most of it not occurring before 1973/74, of a limited scheme of compensation for injurious affection caused by new public works to nearby unacquired property.

2. The Home Affairs Committee on 13th February agreed to proposals (a) and (b), subject to the Departments concerned absorbing the relatively small costs involved within their expenditure allocations. They also agreed (c), though the Minister of Agriculture, Fisheries and Food has subsequently expressed certain reservations on it which can be further discussed with him without at this stage troubling other colleagues. They were sympathetic to proposal (d), but have referred it to colleagues because of its public expenditure implications.
The importance of including the scheme of compensation for injurious affection

3. In considering the expenditure implications of proposal (d), it should be borne in mind that this proposed scheme on injurious affection, both on merits and presentationally, is the main part of the package. Without it, the other proposals would look very thin. I accept, of course (as I understand do all the spending Ministers concerned), that a commitment to it now must be without prejudice to the decisions which Ministers must take in due course about priorities and total Departmental expenditures for 1973-74 onwards. But I believe that this should not deter us; and the object of this memorandum is to say why.

4. The injurious affection that we are here dealing with is the depreciation in property value that is caused by nearby public development. The most obvious example is the impact of the urban motorway. As the law stands, an owner some of whose land is acquired for purposes of a scheme of public development is entitled to compensation for depreciation to his remaining land (though the amount is restricted to the loss in value due to those portions of the public works which are sited within the piece of land actually acquired from him). But the owner from whom no land is taken does not in practice have an equally effective remedy - even though he might well have had a remedy at common law if development with similarly injurious effects had been carried out by a private firm or individual. This is due mainly to a House of Lords decision in 1874 that has cast doubt on the right to compensation for the effects of the use of public works. Thus in practice someone whose established legal right to light is infringed by the construction of an elevated motorway may have a chance of compensation, but there is little chance of getting it for the property value depreciation caused by the noise, fumes, dust, etc. arising from the purposes to which the motorway is put.

5. This apparently privileged position for public development may have been acceptable in the circumstances of the 19th century. It is very difficult to defend in the very different circumstances of today; and the sense of injustice that it engenders adds to the already considerable presentational difficulties that confront public authorities (including Ministers) responsible for planning and providing essential public services.

6. Various proposals for changes in the law in this respect have been put forward by professional bodies representing lawyers and surveyors, and also by the local authority associations. Mr. Walter Clegg is proposing very sweeping changes in a Private Member's Bill due for its Second Reading debate on 27th February. The Conservative Party have said, in "Make Life Better":

"People whose houses, shops or land are affected by development will get proper compensation".

And in the forthcoming GLC elections they will be able to point to the fact that in London they have been pressing for something to be done about this for years.
The safeguards in the scheme

7. The Minister of Housing's scheme could, I believe, take the force out of these pressures before they gain further momentum - if it is announced soon. The basic principle it follows is that public authorities whose new works harmfully affect nearby owners, even though without actually taking any of their land, should be put under broadly the same liability in this respect as private developers. This is conceptually in line with the recommendations in a recent report by Justice, recommending that such owners should have a right to compensation if a common law action in nuisance would have been available to them but for the protection enjoyed by public authorities. The difference in method, however, is that instead of making the owners concerned dependent for their new remedy on common law action, the Minister's scheme would spell out the scope and limitations of their rights in the statute itself.

8. I can understand the Treasury's natural concern lest these limitations should prove vulnerable to pressures for relaxation with a consequential increase in the total cost of the scheme. But it seems to me, as it did to the Official Committee, that in practice they can be held without much difficulty.

9. To start with, it should be easy enough to defend the proposition that compensation should be payable only for depreciation arising from what could in the case of a private development constitute a nuisance at common law, and the legislation would therefore specify the qualifying causes - e.g. noise, dust, fumes.

10. Compensation would be payable only where the amount of depreciation due to these causes was more than 10 per cent, and this could be justified as doing no more than reflect in statutory terms the fact that in the private sector where the common law applies there must in practice be a fairly serious degree of nuisance before the courts are willing to grant an injunction or award damages. This limitation is also defensible in practical terms on the basis that, if there is to be a statutory right to compensation, the damage suffered must be clearly demonstrable among the complex of factors which enter into the value of property; otherwise there could be a large number of trifling claims and disputes bringing little public or private advantage.

11. The scheme would apply only in cases where public authorities carry out development - either for new or for extended projects. This again should be easily defensible, on the basis that the compensation proposals as a whole are all about the acquisition or development of land, and so far as injurious affection is concerned, are therefore related to the direct, immediate and demonstrable consequences of action taken by public authorities as land-acquiring developers, and not to the effects of what they may do or allow well after (or irrespective of whether) land development has taken place. Thus it should be possible without any real difficulty to resist any pressure for this particular
measure to include compensation for the effects of mere intensifications of existing uses - which are not normally related to specific land development operations, are not necessarily even within public authorities' control, can seldom be accurately related to specific changes in the value of property, and are therefore not comparable with new land-using projects that are likely by their nature, and can be shown in the event, to have a direct and identifiable impact on the property around them. Of course, pressures for remedies for the effects of activities, as distinct from the effects of land acquisition and development, do and will continue to exist; but they exist and can be dealt with (or resisted) independently of land compensation law - e.g., grants for sound insulation round Heathrow, or refusal of similar grants in other cases.

12. It is also proposed, as a basic part of the scheme, that claims for compensation should not be admitted until two years after completion of the public works concerned - thus allowing property values to settle, and protecting the authorities from having to compensate for purely transitory depreciations. The line on this should not be difficult to hold, especially as provisions would be incorporated for safeguarding those owner-occupiers who for other reasons had to sell their property during the two-year period.

13. Finally, there is the safeguard of specifying the types of new or extended public works to which the new scheme should relate. The Minister of Housing, in agreement with his colleagues concerned, has proposed that the list should be restricted to the kinds of development that are obviously likely to trouble neighbouring owners - roads, sewage works, and refuse works, plus (possibly) airports, though I understand that in practice it is not expected that any new airport sites will be developed during the next few years. From the public expenditure point of view it may not be all that important whether the list is restricted in this way or left open, since the various other possibilities that spring to mind (e.g., prisons, defence installations, power stations, gas works, schools, local authority housing) would in practice normally be ruled out by one or more of the other limitations mentioned in paragraphs 9-12 above. Either they will not give rise to sustained depreciation of at least 10 per cent, or the depreciation will not be due to any of the kinds of factor that will have to be present to qualify for compensation. (Indeed, even airports don't seem to do much harm in practice to property values in their vicinity). Nevertheless, it seems better to make clear from the start what are and what are not the kinds of development to which the compensation scheme is addressed, in order to reduce misunderstanding and discourage widespread unsuccessful claims as well as avoiding a theoretically open-ended public expenditure commitment. Accordingly I would propose that we should settle for a firm list, as the Minister of Housing has suggested, and I would welcome my colleagues' views as to whether any other types of works should be added to those which he has proposed.
Cost

14. Given all these limitations, together forming a defensible basis for resisting any material extension of the scheme proposed, I see no reason to doubt the reasonableness of the estimate already made of the cost of the scheme - between £7 1/2 million and £15 million annually, most of it occurring from 1973-74 onwards. And it is, I think, important to bear in mind (quite apart from whatever decisions may be made on the public expenditure review) that this is not necessarily a net addition to the expenditure that might otherwise have been incurred in the sectors concerned. For it seems likely that, in the absence of provisions of the kind proposed, public authorities would in many cases be under growing pressure to resort to more expensive locations and designs and land purchases for their development projects than would otherwise be thought necessary, in order to buy off opposition that a limited but defensible scheme of compensation could have allayed.

Timing

15. As the Minister of Housing has pointed out, we shall be in an increasingly embarrassing position if we cannot soon show some positive results from our land compensation review as a whole, and in particular promise to prepare legislation on blight and injurious affection. To be ready with a Bill for next Session, however, the Departments concerned need authority to start work on it now - with early access to Counsel. To postpone a decision until the summer would mean (and would be seen to mean) postponing the possibility of a Bill until 1971-72. Moreover, to meet mounting criticism, we need to make a statement now - and it would be highly convenient to be able to do so in the course of the Second Reading debate on Mr. Clegg's Bill on 27th February. A draft of the kind of statement that might be made (and would not give rise to any problems of forestalling or delaying action by property-owners) is attached at Annex A.

Conclusions

16. I invite my colleagues to agree that the scheme of compensation for injurious affection is a necessary part of the proposals for improvement in the compensation code; that the limitations incorporated in it are defensible; that the public expenditure implications are therefore adequately limited; and that although these should of course be taken into account in the normal public expenditure review this summer, they should not prevent our deciding and starting now to prepare the necessary legislation, or our announcing now that we intend to do so.

C. A. R. C.

Storey's Gate, S.W.1.

20th February, 1970
1. The Government have now completed their review of the whole field of land compensation. In carrying out the review we have had the benefit of the views of the professions (in memoranda prepared by the Chartered Land Societies and by JUSTICE) and of the local authority associations and the GLC. I will deal with our main conclusions under three headings - compensation for compulsory purchase; injurious affection; and planning blight.

2. The present basis of compensation for compulsory purchase is the market value of the interest which is acquired. Some have criticised this basis, and have put forward proposals which would provide for payment well above market value in many cases. Others have argued that the market value basis should remain, subject to minor adjustments. The history of compensation over the past century has included systems for paying more than market value and systems providing for paying less. We have concluded that in fact the market value basis comes as close as possible to being fair to both sides - to the individual whose property is being acquired, and to the community as a whole that has to meet the bill. We have therefore decided that the market value basis of compensation should remain; and it is in keeping with this that we have already taken action, in the Housing Act, 1969, to provide for payments equivalent to market value to virtually all owner-occupiers of publicly-acquired unfit houses, who under previous law would mostly have got far less.
3. I turn now to injurious affection – that is, the depreciation sometimes caused by new development, such as a motorway, to nearby property which is not itself acquired for purposes of that development. It may be that continuing improvements in planning and design techniques will help us in time to reduce the incidence and scale of this particular problem; but it would be unrealistic to expect to be able to do away with it altogether. And the present position is that a person from whom no land is taken has in practice very little prospect of receiving compensation for any depreciation in the value of his property caused by the use of public works constructed on adjoining land. The Government have concluded that this is not good enough. Broadly speaking, public authorities should in their view have to accept as nearly as possible the same kind of financial liability in this respect as private developers. Accordingly, they propose to introduce a new scheme whereby compensation will be claimable in cases of substantial and permanent depreciation in value caused to nearby properties by the physical effects of the use of specified kinds of new public works. The necessary legislation will now be prepared, in readiness for introduction in the 1970-71 Session.

4. It is proposed that this legislation should deal also with planning blight. This is the depreciation in value sometimes caused to property by the threat of its future acquisition by an authority possessing compulsory powers. Those most in need of help in these cases already have a
remedy eventually, in that where a formally established proposal involving eventual acquisition has the effect that the owner-occupier of a house or small business premises cannot sell his property at a reasonable price on the open market he can serve a "blight notice" on the public authority concerned, requiring them to buy at undepreciated value. The Government are satisfied that only these classes of owner-occupiers should continue to have this remedy as of right. But they have concluded that the right should be available earlier than under present law. The owner-occupiers concerned should not have to wait, as they must do at present, until the proposal causing the blight has reached a fairly advanced stage - e.g., has been approved by the Government Department concerned. They should be entitled to serve a blight notice as soon as the public authority have definitely decided, in the light of any necessary local soundings, what they want to do and have, if necessary, submitted the proposal to the appropriate Minister for approval. Pending the legislation, local authorities will be recommended to use their existing discretionary powers to buy in cases of this kind; and Government Departments will do likewise.
24th February, 1970

CABINET

MISUSE OF DRUGS BILL

Memorandum by the Secretary of State for the Home Department

The Home Affairs Committee agreed on 29th January to a range of penalties which would be provided in the Misuse of Drugs Bill for the offences of possession and trafficking in controlled drugs. The details are given in the annexes to this paper. I should, however, be grateful for the views of the Cabinet on the political consequences of the various courses proposed.

1. Under the Dangerous Drugs Act, 1965, which covers heroin, cocaine, morphine and cannabis, the two offences of possession and trafficking have been dealt with on the same basis and the same penalty of ten years' imprisonment applies to each. Under the Drugs (Prevention of Misuse) Act, 1964, which covers amphetamines, LSD and other hallucinogens, possession is punishable by two years' imprisonment; there is no separate offence of trafficking. The Home Affairs Committee has agreed, I think rightly, that the new Bill should distinguish between the offences of possession and trafficking. It has also approved a division of drugs into three categories, with separate penalties for each. The effect of these changes would be:

(a) The penalty for possession of heroin, cocaine, morphine, etc. should be reduced from ten years to five, and for possession of cannabis from ten years to three.

(b) The penalty for trafficking in these drugs should be raised from ten years to 14, and for trafficking in amphetamines, LSD and other hallucinogens there should also be a penalty of 14 years.

(c) The penalty for the possession of certain drugs, e.g. injectable amphetamines, LSD and similar hallucinogens, should be increased from two years to five.

Certain other drugs, such as minor stimulants and tranquillisers, would also be brought under control for the first time, with penalties of £100 for possession, and five years' imprisonment for trafficking.
3. The question arises whether, in making this distinction between three types of drug and three levels of penalty for each of the two offences, the right balance has been achieved in relation to public opinion on drug-taking generally and on cannabis in particular. The Bill will be very severe on trafficking, which will cover unlawful production, supply, import or export of controlled drugs, and new offences of possession with intent to supply and permitting premises to be used for production or supply. On the other hand the penalties for simple possession would be completely recast, with those for LSD and injectable amphetamines increased, but with a substantial reduction in that for heroin, cocaine and morphine and an even more substantial reduction in respect of cannabis. The proposals approved by the Home Affairs Committee are thoroughly rational and can be presented as such, but my colleagues will be aware of the strong feeling which exists, particularly in relation to cannabis, which is perhaps the most widely publicised and certainly the most controversial of the drugs dealt with by the Bill. I am anxious that the Government in presenting these essentially rational proposals should not appear to be weakening in its attitude to the misuse of drugs. I should be grateful for my colleagues' views on this.

4. If my colleagues feel that there would be a great deal of misrepresentation or misunderstanding of these proposals there are two alternative courses. The first would preserve the three categories which have the merit of flexibility and have been well received in discussion with a wide range of interested organisations, but would -

(a) increase the penalty for possession of cannabis from three years to five, or even seven, and perhaps also

(b) increase the penalty for possession of heroin, cocaine, morphine, etc. from five years to seven,

compared with ten years at present.

5. The second approach would be to abandon the distinction between categories of drugs altogether and provide a single maximum penalty for possession, and a single maximum penalty for trafficking. Possible maximum penalties for possession would then be either ten years or seven years; or perhaps differential penalties - say five and seven years - for first and subsequent offences. Under this approach the maximum penalty for trafficking would be 14 years in all cases.

6. I should welcome the views of my colleagues. My own view is that the preferable course would be to abandon the three categories of drug and to provide a single maximum penalty of seven years' imprisonment for possession and 14 years for trafficking, recognising that these are maximum penalties and that the courts would usually inflict a much smaller penalty for possession if not for trafficking.

L. J. C.

Home Office, S. W. 1.

24th February, 1970
### Annex I

Schedule showing the maximum penalties under existing legislation, and those proposed under new legislation, for simple possession of a controlled drug

<table>
<thead>
<tr>
<th>Existing Legislation</th>
<th>Proposals for new legislation</th>
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</thead>
<tbody>
<tr>
<td><strong>Existing Legislation</strong></td>
<td><strong>Proposals for new legislation</strong></td>
</tr>
</tbody>
</table>
| (i) Dangerous Drugs Act 1965  
(heroin, cocaine, morphine etc., and cannabis) | **Part A drug** (1965 Act drugs other than cannabis; LSD and similar hallucinogens; synthetic cannabis and injectable amphetamines) |
| *(a) Summary - £250 and/or imprisonment for 12 months* | *(a) Summary - £4,000 and/or imprisonment for 12 months* |
| *(b) Indictment - £1,000 and/or imprisonment for 10 years* | *(b) Indictment - Unlimited fine and/or imprisonment for 5 years* |
| (ii) Drugs (Prevention of Abuse) Act 1964  
(amphetamines, LSD and other hallucinogens) | **Part B drug** (cannabis, non-injectable amphetamines and similar psychotropic drugs) |
| *(a) Summary - £200 and/or imprisonment for 6 months* | *(a) Summary - £200 and/or imprisonment for 6 months* |
| *(b) Indictment - Unlimited fine and/or imprisonment for 2 years* | *(b) Indictment - Unlimited fine and/or imprisonment for 3 years* |
| **Part C drug** (Minor stimulants and tranquillizers; possibly barbiturates) | **Part C drug** (Minor stimulants and tranquillizers; possibly barbiturates) |
| *(a) Summary - £100* | *(b) Indictment - Nil* |
Schedule showing the maximum penalties under existing legislation, and those proposed under new legislation, for trafficking in controlled drugs

<table>
<thead>
<tr>
<th>Existing legislation</th>
<th>Proposals for new legislation</th>
</tr>
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</table>
| (i) Dangerous Drugs Act 1965  
(heroin, cocaine, morphine etc., and cannabis) | Offence: Being in any way concerned in unlawful manufacture, supply or possession with intent to supply |
| | Part A or Part B drug (see Table 1) |
| | (a) Summary - £400 and/or imprisonment for 12 months |
| | (b) Indictment - Unlimited fine and/or imprisonment for 14 years |
| (ii) Drugs (Prevention of Misuse) Act 1964  
(amphetamines, LSD and other hallucinogens) | Part C drug |
| | (a) Summary - £200 and/or imprisonment for 6 months |
| | (b) Indictment - Unlimited fine and/or imprisonment for 5 years |
| Offence: nothing comparable to above offence under this Act | Dealt with on indictment under common law (conspiring to commit an offence under the Act i.e. unlawful possession), Penalty at discretion of court |
27th February, 1970

CABINET

LOCAL GOVERNMENT REORGANISATION IN WALES AND MONMOUTHSHIRE: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Wales

I propose to present, if possible on Tuesday, 10th March, a White Paper giving the results of my review of the local government structure in Glamorgan and Monmouthshire. My provisional conclusion is that the two geographical counties should be divided into three unitary areas, on lines similar to those proposed for much of England in the recent White Paper 'Reform of Local Government in England'. The three areas and their approximate populations would be:

- Swansea and West Glamorgan: 372,000
- Cardiff and East Glamorgan: 919,000
- Newport and Monmouthshire: 432,000

2. A draft of the White Paper has been considered and approved by the Ministerial Committee on Local Government Reorganisation. A revised draft, incorporating amendments suggested by the Ministerial Committee, is attached.

3. I seek my colleagues' approval to:

(1) the presentation of the White Paper on the lines of the draft annexed;

(2) consultations proceeding with the local authorities directly concerned and their associations on the basis of the White Paper once it is published. I would try to steer these in the direction of discussion of detailed boundary issues (on which I would make it clear that there was room for adjustment) rather than discussion of issues of principle, but it would be impossible to prevent authorities having their say on the latter.

G.T.

Welsh Office, S.W.1.

26th February, 1970
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<td>V</td>
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### Chapter I
- Introduction

### Chapter II
- Social and geographic study of the review area

### Chapter III
- Possible patterns

### Chapter IV
- A unitary pattern

### Chapter V
- Proposals:
  - The proposed pattern
  - Community councils
  - Local dignities
  - Names
  - Staff
  - All-Wales machinery
  - Finance and other matters of common interest to England and Wales
  - Police and fire services
  - Future action

### Maps *
1. Commuting flows  
2. Shopping centres: size of turnover  
3. Proposed unitary areas.

* not enclosed with present draft
INTRODUCTION

1. This White Paper sets out the Government's revised proposals for the reorganisation of local government in the geographical counties of Glamorgan and Monmouthshire.

2. This area consists of the two administrative counties of Glamorgan and Monmouthshire, the four county boroughs of Cardiff, Swansea, Newport and Merthyr Tydfil, and forty-seven non-county boroughs and districts. The White Paper 'Local Government in Wales' published in July 1967 (Cmnd. 3340) proposed reorganisation into two administrative counties, three county boroughs and fifteen new districts.

3. These proposals were subsequently the subject of extensive consultations by the Government with the local authorities and their associations. All concerned were also given the opportunity to comment further on them following the publication of the Report of the Royal Commission on Local Government in England (Cmd. 4040) in June 1969.

4. In the light of these consultations, and having regard also to the view of the Royal Commissions on Local Government in England and Scotland* that the division between town and country ought to be ended for local government purposes, the Secretary of State for Wales decided in October 1969 to make a further review of the situation in South Wales. The purpose of the review was to see if a satisfactory pattern of local government could be worked out in Glamorgan and Monmouthshire which would avoid the division between county boroughs and administrative counties contained in the White Paper proposals.

5. The results of this review and the conclusions which the Government draw from it are described below. It is emphasised that these conclusions relate solely to the geographical counties of Glamorgan and Monmouthshire. In the rest of Wales, i.e., in the other eleven counties, where there are no county boroughs, the Government propose that local government shall be reorganised on a two-tier basis.

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#Cmd. 3340.
involving the amalgamation of the present eleven counties into four (Clwyd, Cwynedd, Powys and Dyfed) and the present 117 non-county boroughs and districts into twenty districts. This, with certain modifications, is in line with what 'Local Government in Wales'\textsuperscript{*} proposed for the area of Wales outside Glamorgan and Monmouthshire.

6. The first stage of the present review was a socio-geographic study to establish the facts about where people live, work, shop and use their leisure. Next, the relevance of these facts to the structure of local government was examined. It was then possible to judge which pattern of local government seemed most likely to fit the pattern of daily living and to provide services of the standards required.

\textsuperscript{*}Cmnd. 3340
Chapter II
SOCIAL AND GEOGRAPHIC STUDY OF THE REVIEW AREA

7. This examined the geographic structure of the area and its effect on the location of communities and communications, journey to work movements, the relative importance of towns as providers of services, the distribution and future trends of population and employment, and administrative arrangements for local government and other public services. The study was carried out in considerable detail, its aim being to elucidate the major relationships between communities deriving from the pattern of social and economic life. This gives the most reliable guide to the areas over which the major local authority services need to be provided. An extremely condensed summary of the conclusions under the main headings is given in the succeeding paragraphs.

Geography

8. With the exception of the coastal plain and eastern parts of Monmouthshire, the review area consists of an elevated plateau, under which lies most of the South Wales coalfield, dissected by narrow steep-sided valleys running roughly north to south. These geographic factors have helped to produce the three main characteristics of much of the review area:

(i) there are strong social and economic links along each valley and extending to the coast. Road and rail networks follow this pattern connecting the valleys to the ports, three of which – Cardiff, Newport and Swansea – have become the chief towns;

(ii) communication between neighbouring valleys has been hindered by the terrain. The Heads of the Valleys road (A 465) has improved east to west communications between the northern parts of many of the valleys. Nevertheless, the natural pattern of movement is between the valleys and the coastal plain and the main east to west communications by road and rail have in the past and will in the future follow the plain;

(iii) the narrowness of the valleys has resulted in congestion and limited room for development with the result that most of them contain elongated settlements without major commercial centres.

Movement patterns

9. While a local government area cannot be completely self-sufficient in the sense of providing jobs for all its residents, a
situation in which many people live in one local authority area and work in another discourages interest in local government and makes it more difficult to administer planning, transportation and other major services. The responsibility for these services ought to be, wherever possible, that of an authority for an area covering both the places where people live and the places where they work.

10. Table I below shows the main travel to work patterns in the area as derived from the 1966 sample census. There were eleven centres in Glamorgan and Monmouthshire to which more than five thousand workers travelled daily from a different local authority area. Of these, Cardiff, Newport, Port Talbot, Pontypridd and Swansea emerge as the centres with the largest daily inward movements of workers.

See also Map 17.

Table I

Inflows and outflows of workers to and from all towns in the review area with over 25,000 population or a large inflow of workers in 1966.

<table>
<thead>
<tr>
<th>Local authority</th>
<th>Inflow</th>
<th>Outflow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff CB</td>
<td>37,790</td>
<td>8,020</td>
</tr>
<tr>
<td>Merthyr Tydfil CB</td>
<td>23,840</td>
<td>5,200</td>
</tr>
<tr>
<td>Swansea CB</td>
<td>11,420</td>
<td>11,920</td>
</tr>
<tr>
<td>Aberdare UD</td>
<td>3,210</td>
<td>7,230</td>
</tr>
<tr>
<td>Barry MB</td>
<td>1,910</td>
<td>5,030</td>
</tr>
<tr>
<td>Bridgend UD</td>
<td>9,560</td>
<td>1,930</td>
</tr>
<tr>
<td>Caerphilly UD</td>
<td>5,740</td>
<td>7,740</td>
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<tr>
<td>Gelligaer UD</td>
<td>4,110</td>
<td>5,210</td>
</tr>
<tr>
<td>Mountain Ash UD</td>
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<td>4,620</td>
</tr>
<tr>
<td>Neath MB</td>
<td>7,430</td>
<td>4,340</td>
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<tr>
<td>Pontypridd UD</td>
<td>12,250</td>
<td>5,630</td>
</tr>
<tr>
<td>Port Talbot MB</td>
<td>13,680</td>
<td>2,030</td>
</tr>
<tr>
<td>Rhondda MB</td>
<td>2,170</td>
<td>11,540</td>
</tr>
<tr>
<td>Newport CB</td>
<td>18,300</td>
<td>6,700</td>
</tr>
<tr>
<td>Bedwellty UD</td>
<td>3,010</td>
<td>5,840</td>
</tr>
<tr>
<td>Cwmbran UD</td>
<td>7,260</td>
<td>3,590</td>
</tr>
<tr>
<td>Ebbs Vale UD</td>
<td>5,740</td>
<td>1,320</td>
</tr>
<tr>
<td>Pontypool UD</td>
<td>6,620</td>
<td>6,190</td>
</tr>
</tbody>
</table>

Source: Sample Census 1966; Workplace and Transport Tables: Part I; Table 2. HMSO, 1968.
11. In the case of four local authority areas, Bridgend, Pontypridd, Cwmbran and Pontypool, more than one-fifth of the resident working population travelled to work daily outside the area.

12. At the other end of the scale were local authority areas where the daily outflow was greater than the daily inflow and among these Rhondda, Aberdare, Caerphilly, Gelligaer, Merthyr Tydfil and Barry were all areas from which more than five thousand workers each day travelled to work.

13. The initial conclusion from this analysis was that Cardiff, Newport, Port Talbot and Swansea were major travel to work centres of the two counties.

Extent of urban services

14. The scale and range of services, notably shopping facilities, provided in towns is a guide to their interdependence with neighbouring areas and to their social importance in relation to each other. An analysis was made of the shopping characteristics of the major towns in terms of sales of durable and convenience goods, of retail turnover, their spheres of influence as entertainment centres and by newspaper distribution. This showed the outstanding importance of Cardiff, Newport and Swansea as compared with all other towns in the review area; a strong relationship between the valley communities and Cardiff, Newport and Swansea and well established spheres of influence based on them; with significant but smaller linkages between the valleys and towns at the valley mouths such as Pontypool, Pontypridd, Bridgend and Neath. [See also Map 27.]

Population and employment trends

15. The population changes in South Wales over the last half century have been strongly influenced by changes in the character and location of employment, notably the decline in employment in the coal mining industry. New employment has been provided in the main by jobs in manufacturing and service industries in the coastal belt or in the lower valleys, and this development has been accompanied by a redistribution of jobs throughout South Wales.

16. Growth of employment in service industry such as offices, shops, and education is also influencing significantly the social and economic pattern. Between 1953 and 1968 the proportion of total employment in service industry increased from thirty eight per cent to forty four per cent. A high proportion of this form of employment is in the
large towns, particularly Cardiff, Newport and Swansea. The figures are shown in Table II below.

### Table II

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of insured employees engaged in service industries in 1968</th>
<th>Percentage of total insured employees engaged in service industries in 1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardiff</td>
<td>84,844</td>
<td>63</td>
</tr>
<tr>
<td>Swansea</td>
<td>34,274</td>
<td>62</td>
</tr>
<tr>
<td>Newport</td>
<td>29,832</td>
<td>44</td>
</tr>
<tr>
<td>Remainder of review area</td>
<td>135,743</td>
<td>35</td>
</tr>
</tbody>
</table>

Sources: Department of Employment and Productivity.

Main implications of the study

17. The study brought out clearly three groups of social and economic factors which are highly relevant to proposals for local government reorganisation:

(i) the close links between the towns and villages in each valley; and between them and the coastal towns;

(ii) the great importance of Swansea, Newport and Cardiff as centres of life in Glamorgan and Monmouthshire;

(iii) the comparative absence of strong links, despite the Heads of the Valleys Road, between the different valleys.
Chapter III

POSSIBLE PATTERNS

18. A number of possible local government structures for Glamorgan and Monmouthshire have been examined in the light of the analysis summarised in Chapter II. In judging these various possibilities it is important to bear in mind what is required of the reorganised local government. First and foremost it must be able to meet the special needs and requirements of the area concerned. It must enjoy the interest and support of the communities it serves. It must recognise the interdependence of town and country. It must be efficient in the carrying out of its functions, and to this end areas must be defined which will enable major services such as planning, transport, education, housing, community health and welfare to be provided on a coherent and economic basis. The new system must also have an inherent strength in population and other terms and must not consist of small and weak units.

19. The question of the most satisfactory range of population for new local authority areas in South Wales is of great importance to these objectives. In judging alternative solutions, the present review has borne in mind the range of population adopted for major authorities in other parts of Wales, and the criteria recommended by the Royal Commission on Local Government in England* and adopted by the Government in the White Paper 'Reform of Local Government in England' (Cmd. 4276).

The new county of Gwynedd would have a population of about 212,000, Dyfed would have about 318,000, and Clwyd 355,000. (Powys with a population of 116,000 would be an exceptionally sparsely inhabited area). It is these authorities which for the rest of Wales have been given a responsibility for all the main services. The geographical counties of Glamorgan and Monmouthshire are much more highly urbanised and industrialised than in the remainder of Wales. The criteria proposed by the Royal Commission and adopted by the Government for similar types of area in England are relevant to the situation in the two counties. These criteria are that an authority responsible for all local government functions should have a population of not much less than 250,000, and not much more than a million. These figures need to be set beside the total population of the review area which in 1969 was 1,722,000.

*Cmd. 4040
20. The basic choice for the area lies between a two-tier system of local government and a pattern of unitary authorities. There is a prima facie attraction in adopting a tier pattern since this is what is already proposed for all other parts of Wales. But this turns very much on whether a tier pattern would be the best way of meeting the desiderata discussed above.

21. In South Wales the only feasible alternative two-tier system to that proposed in 'Local Government in Wales' would be a metropolitan system on the lines proposed for five areas of England in 'Reform of Local Government in England'. The recommendation of the Royal Commission on Local Government in Scotland that there should be a two-tier system in that country was based on a detailed study of the circumstances of Scotland. It would not be appropriate to the situation in South Wales and if adopted would create serious anomalies vis-à-vis the functions carried out by the second-tier authorities in the different parts of the Principality. Equally unsatisfactory would be a two-tier system in which the county boroughs became district councils of the kind envisaged in 'Local Government in Wales' within the administrative county structures of Glamorgan and Monmouthshire. If there were to be a tier system in South Wales it would have to be a metropolitan authority with a number of metropolitan districts under it.

22. The Government are clear that a metropolitan system should be adopted in preference to a unitary system only where geographical and other factors make a two-tier pattern of this sort unavoidable. The question therefore is whether the circumstances in South Wales are such that a metropolitan system would provide more effective local government and substantially greater benefits in the major local government services than would a system of unitary authorities. The Government are not persuaded that this is so. No satisfactory case has emerged for setting up a metropolitan authority covering all or a major part of Glamorgan and Monmouthshire. If, for example, such an authority were set up covering the geographical county of Glamorgan it would be responsible for the planning of both Swansea and Cardiff and the areas surrounding them. The survey has shown that this would be neither necessary nor desirable. There is a viable planning region focussed on Cardiff and another focussed on Swansea. They have common problems and interests which require consultation, but these are no more numerous or extensive than those which will affect most of the other proposed planning authorities in England and Wales.

*Cmd. 3340
/ Cmd. 4276
\ Cmd. 4150
23. In these circumstances there is no apparent necessity to create a metropolitan authority. Indeed, such a course might well produce substantial disadvantages, since the metropolitan authority, whatever its shape and size, would be disproportionately large in relation to all the other local authorities in Wales and would create an undesirable imbalance in the structure of Welsh local government as a whole.

24. The evidence of the present review shows that an effective unitary pattern can be constructed for Glamorgan and Monmouthshire containing unitary authorities fully capable of discharging all the functions which would fall to a metropolitan authority. (This unitary pattern is discussed in the following Chapter). These authorities would effectively undertake the planning of land use and transport services and large house building programmes. They would be able effectively to provide education and personal social services and would form good bases for the health services to be planned alongside them.
25. Several possible unitary patterns for Glamorgan and Monmouthshire have been considered. In the course of the review a number of models were constructed, including a division of Glamorgan and Monmouthshire into as many as six unitary authorities, the largest number at all compatible with the socio-geographic facts and with the population criteria referred to in Chapter III (paragraph 19).

26. Neither of the models comprising six or five unitary authorities offered a satisfactory pattern. The first involved a division of Glamorgan into four authorities and Monmouthshire into two. The second presupposed the creation of a heads of the valleys authority including parts of Glamorgan and Monmouthshire, straddling some six valley communities and lacking any satisfactory centre. Both would have created weak authorities lacking cohesive unity.

27. A third model contained four unitary authorities, one corresponding to the present geographical county of Monmouthshire, with some modifications in the present boundary with Glamorgan; the other three together comprising the present geographical county of Glamorgan. This pattern contained a mid-Glamorgan authority which, within the most acceptable boundaries which could be devised, was weak from the point of view of population, containing little more than 200,000 people. Moreover, it lacked a satisfactory unifying focus or centre. Bridgend was the most obvious candidate for this position, but, though a prosperous and growing town, it lacked the size to be fully effective. Various attempts at strengthening this unit by adding areas to the east and west failed to produce a result which was viable in the socio-geographic terms on which
the study rested. On the contrary, they confirmed the inherent weakness of the unit.

28. The only unitary pattern which was found to provide a satisfactory socio-geographic basis was one consisting of three unitary authorities, two in what is broadly the present geographic county of Glamorgan and one in what is largely the present Monmouthshire. This model proved to offer in many other ways a sensible basis for reorganisation and is therefore assessed in some detail below.

29. The socio-geographic study shows that the social and economic links between communities run north to south, along the valleys and between the valleys and the coastal towns. It also shows the importance of Cardiff, Newport and Swansea as compared with other towns in the review area, in the fields of employment, shopping and other urban services. A division of the review area into three units each containing one of these towns, therefore, offers a reasonable prospect of a satisfactory local government structure. The influence of each town is widespread. Indeed there is evidence of linkages between the most distant parts of the area and one or other of these towns or their hinterlands.

30. Newport, with the neighbouring steel works at Llanwern and the new town of Cwmbran, acts as the major urban focus for most of Monmouthshire. There are other employment centres, such as Ebbw Vale, but none has the same standing in relation to the rest of the county as has Newport.

31. Cardiff, the capital city and biggest town in Wales, the headquarters of central government departments and of many other national bodies, exercises influence over most of east Glamorgan and some of west Monmouthshire. The analysis of journeys to work shows that the city and its immediate surroundings are a focus for employment for a wide surrounding area including the Rhondda, Cynon, Taff, and Rhymney valleys. It is a major shopping, commercial
and entertainment centre. Despite the growth of new shopping centres in the smaller towns there is no reason to believe that its predominant position in these respects is likely to be upset.

32. Swansea, with its recently redeveloped shopping and commercial centre, occupies a significant position in the west of Glamorgan. The evidence of the social and geographic study shows that for main shopping and commercial purposes it has influence as far east as Neath and Port Talbot.

33. Thus a broad outline of three unitary areas is clear; the precise boundaries between them are less easy to define. In the following paragraphs a provisional solution is discussed.

34. In the east of the area, a combination of the present county of Monmouthshire with the county borough of Newport to create one unitary authority would have the merit of simplicity and would accord broadly with the socio-geographic affinities of the communities in the county. But the present boundary between Glamorgan and Monmouthshire was condemned by the Local Government Commission for Wales and the results of the present study - though not pointing to the same conclusion as the Commission's - also cast doubt on its continuance.

35. The doubtful area lies in the Rhymney valley where the county boundary, running along the river, splits communities. The Commission considered* that the administration of the valley ought to be unified, that a better boundary could be found to the west of the river than to the east, and that such advantages as derived from a transfer of territory should go to the weaker county, Monmouthshire.

36. There is no doubt about the need for unification of the administration of the valley. But while the study confirms the Commission's view that it would be difficult to find a suitable boundary to the east of the river, it also shows that in so far as communities in the valley have linkages with either Cardiff or Newport, those with Cardiff predominate.

37. It is suggested therefore that the boundary line ought to follow the eastern watershed of the Rhymney valley as far as practicable. This could largely be achieved by the inclusion in the Cardiff unit of the urban districts of Rhymney and of Bedwas and Machen, and the wards of Aberbargoed, Cwmsyfiog, New Tredegar and Phillipstown in Bedwellty Urban District. But the Cefn Fforest/Fleur-de-Lis area could not be split satisfactorily in the same way. For the present at any rate the anomaly of using the river boundary for this short section of the valley seems preferable to making a new and equally arbitrary division of a built-up area. Further south, there appears to be a good case for including with Cardiff the parish of St Mellons, now in Magor and St Mellons Rural District.

38. The boundary between east and west Glamorgan, between the spheres of influence of Cardiff and Swansea, is also difficult to define. In the north it is clear that if, as seems right, the whole of the Cynon valley is to form part of the eastern unit, the parish of Rhigos in Neath Rural District, where several thousand Aberdare people work, should come east.

39. In the centre and the south Port Talbot, together with Glyncorrwg and other communities in the Aisan and Corrwg valleys has greater community of social and commercial interest with Swansea than with Cardiff. The boundary should therefore clearly be drawn east of Port Talbot and Glyncorrwg. But how far east? Many of the inhabitants of Bridgend and neighbouring valleys and towns work in Port Talbot which suggests the inclusion of Bridgend in the same unitary area as that town. But for shopping, entertainment, etc the inclination of Bridgend people is towards Cardiff rather than Swansea. Moreover Bridgend is a lesser centre, not only for the
neighbouring Ogwr, Garw, and Llynfi valleys, but also for parts of the Vale of Glamorgan which in any two-way division of Glamorgan would be associated with Cardiff. Further, the prospect of employment growth in and east of Bridgend may reduce the relative importance of travel to work links with Port Talbot. These considerations point to the inclusion in the eastern area of Bridgend and the communities for which it is a focus.

40. This pattern, details of which are shown on Map 3, would therefore create three authorities:

Swansea and West Glamorgan with a population of about 372,000 and an area of roughly 201,000 acres.

Cardiff and East Glamorgan with a population of about 919,000 and an area of roughly 335,000 acres.

Newport and Monmouthshire with a population of about 432,000 and an area of roughly 334,000 acres.

Each of the three areas would have an adequate population. The Cardiff and East Glamorgan area would have more than the other two combined but each of the three authorities would have sufficient population to manage their responsibilities effectively. The three areas would be justified socio-geographically, would meet the population requirements, and would avoid too much interference with existing local government boundaries.
The proposed pattern

41. In this review the Government have examined a wide range of possible ways of ending the division between county boroughs and administrative counties in South Wales. No pattern will satisfy everyone. The decision must be a judgement as to which pattern is most likely to be able to meet the needs of the people of this part of Wales now and in the future.

42. The Government consider that a system of unitary authorities is more likely to achieve this purpose than any alternative. No tier pattern which has been examined, would, in the Government's view be as satisfactory as the best of the unitary patterns.

43. Within the unitary field a pattern of three unitary authorities is likely to be the one best suited to the requirements of South Wales. The review has brought out the close links between the communities of the valleys and those of the coastal plain; and the wide spheres of influence of Cardiff, Newport and Swansea on those communities. It has further shown the practicability of creating three effective local authorities with one of these towns as the principal focus in each area.

44. Each of these areas would be a coherent socio-geographic unit. A local authority responsible for any one of them would have sufficient population and resources to carry out effectively and economically its responsibilities for education and the other personal social services. It would have control of a sufficiently wide area to be able to execute comprehensive planning and transportation policies.

45. The Government therefore propose that local government in the geographical counties of Glamorgan and Monmouthshire should be reorganised into three areas based on Cardiff, Newport and Swansea. These would be areas of single-tier local government similar to the unitary areas recommended by the Royal Commission on Local Government in England and accepted for that country in the White Paper 'Reform of Local Government in England' (Cmd 4276). Cardiff will of course remain the capital of Wales.

46. The three unitary areas proposed are illustrated on Map 3. There, is room for discussion as to the precise boundaries of these areas; and the map is not intended to embody hard and fast proposals. It is necessary that
the new boundaries should follow existing local authority administrative boundaries, but subject to this, the Government would wish to have full consultation with all concerned about the precise boundary lines.

Community councils

47. As in the rest of Wales, it is proposed that within each unitary area there should be directly elected community councils with limited executive functions but primarily intended as bodies to represent local opinion. The areas to be covered by each council, their precise functions, and their relationship to the councils of the unitary areas are matters which the Government propose to discuss with the local authority associations before formulating final proposals.

Local dignities

48. There are eleven boroughs within the review area, two of which are also cities. The Government are determined to devise generally acceptable arrangements which will preserve as many as possible of the dignities and privileges which go with the special status of each of these towns. Again, they propose to discuss these questions with the local authority associations. Any arrangements devised for boroughs in Glamorgan and Monmouthshire will of course have to accord with arrangements for boroughs in the rest of Wales.

Names

49. It will be necessary to find a generic title for unitary areas and their councils. The Government would welcome views on these. It will also be necessary to name each one of the three unitary areas proposed. The descriptive names used in this White Paper are not intended to be final, and the Government would welcome suggestions before legislation is introduced. For the names of the two Glamorgan authorities the Government have no preference at present; for Newport and Monmouthshire they believe that the name 'Gwent' would be generally acceptable.

Staff

50. The Staff Commission proposed in paragraph 45 of the White Paper of 1967* would be concerned with staffing problems in the reorganised structure of Glamorgan and Monmouthshire as well as in the rest of Wales.

* Cmd 3340
All-Wales Machinery

51. Under these proposals the reorganised system of local government in South Wales will differ from that proposed for the eleven counties of Wales outside Glamorgan and Monmouthshire. This is because different circumstances call for different solutions. But the principle underlying reorganisation is the same. It is that the new pattern of local government should be the one best suited to the requirements of an area. There need be no undue difficulties in operating the two systems side by side.

52. The White Paper does not put forward any new proposals for the creation of all-Wales machinery. The Government consider that it would be premature to take decisions on this critical issue until the Commission on the Constitution has made its report. In the meantime the Welsh Council which was formed in 1968 will continue its valuable work to which the Government attach great importance. The Council's terms of reference include the encouragement of co-operation between the local authorities. The Government will continue to look to it for advice on this as in other matters.

Finance and other matters of common interest to England and Wales

53. The thorough-going review of local government finance, including controls by central government and local taxation, mentioned in Chapters V and VI of the White Paper 'Reform of Local Government in England' (Cmd 4276) will cover both England and Wales. Similarly, Wales would be covered by the same kind of machinery for investigating complaints of maladministration in the sphere of local government as is proposed for England (see Chapter VII of Cmd 4276). As in England, the new Welsh authorities will be composed of members directly elected by the people, and will not include aldermen. Consideration of other constitutional matters such as electoral arrangements, the size of councils, disqualification for membership of local authorities, and the expenses of councillors will proceed in association with consideration of these issues in the English context.

Police and Fire Services

54. At present there is one police force for the whole of the geographical county of Glamorgan and another for the geographical county of Monmouthshire. The Government are clear that subdivision of the total
area into more than two police areas would be undesirable and indeed would wish to examine in consultation with the authorities concerned whether the whole area should be one police area. Areas for the future operation of the fire service will be considered in the light of the recommendations of the Holroyd Committee, whose report is expected soon.

Future action

55. There will now be an opportunity for the local authorities in Glamorgan and Monmouthshire, their associations, and the public in the two counties to make their views about these proposals known to the Government. Consultations with local authorities and local authority associations will be arranged where appropriate.

56. The Government's objective will be to embody their proposals for Glamorgan and Monmouthshire and for the other parts of Wales in comprehensive legislation at the earliest practicable date.
At their meeting on 29th January the Ministerial Steering Committee on Economic Policy (SEP) invited me to circulate a memorandum to the Cabinet on the policy implications of the Dainton Committee Report and a number of particular points arising out of it.

General Policy Implications

2. The country’s library system, which has grown up piecemeal over the years, is faced with problems on a new scale. The world’s output of scientific literature is estimated to be doubling every 15 years, and the growth in other fields is comparable. Demands for library and information services increase accordingly. New techniques, particularly those involving automatic data processing, require large scale organization to yield their full potential benefits. Against this background the National Libraries Committee concluded that the four main national libraries the British Museum Library (BML), the National Reference Library of Science and Invention (NRLSI), the National Central Library (NCL), and the National Lending Library for Science and Technology (NLLST) should be brought together under a new statutory and independent public body to be known as the National Libraries Authority (NLA), which would also include the British National Bibliography (at present privately owned).

3. The NLA would provide the policy direction and the administrative co-ordination needed to develop our national library services to meet changing circumstances and to make the best use of the considerable resources committed. It would study the needs of users, formulate requirements in detail, negotiate arrangements with outside bodies, establish priorities and build up an integrated long term programme for its component institutions.

The NRLSI and the Attitude of Industry

4. The case for a single independent authority was accepted by the Home Affairs Committee. In recommending this solution I have given particular weight to the needs of industry and commerce. None of the
industrial and commercial organizations that use the NRLSI and NLLST has challenged the case for a single National Libraries Authority, but there is a strong consensus among them that the NRLSI should be administered separately from the BML. This too was the view of the Dainton Committee and I agree with it. It is agreed by all concerned, including the Confederation of British Industries (CBI) and the Trustees of the British Museum, that the highest building priority should go to the erection of a new NRLSI in central London. The main considerations affecting the site are:

(a) the view strongly held by the Trustees (and many others) that the two libraries should be on the same site; they accept that they should be in separate buildings;

(b) the need to ensure that the NRLSI is readily accessible to the Patent Office (at present in Holborn) and the Patent Community who are its main users.

Further studies and discussions will be needed urgently before a final decision can be reached. They will include more detailed study of the feasibility of building on the Bloomsbury site and will take account of the Government’s plans for the rehousing of the Patent Office, but there are good prospects of reconciling the needs of the various interests.

5. The CBI have emphasised that the NLA should have a considerable measure of independence, that the members of the Board should have a high level of management skill and experience, that the Authority should have a major research function, that regional science reference facilities should be developed as recommended by the Dainton Committee and that close liaison with other bodies should be maintained. They laid great stress on the need to develop the role of the NRLSI and argued against any specific restriction of its coverage. I am in general agreement with all these views, subject to the ultimate determination of priorities within a properly costed and integrated programme. In the short term the provision of a new building for NRLSI should command the highest priority. Clearly the interests of industry and technology should be strongly represented in a NLA.

The British Museum Reading Room

6. Nothing in the proposals before us involves any threat to the fabric of the reading room, and on any assumption it will have to continue to fulfil its present function for several years. When a new building for the British Museum Library, which will incorporate new reading rooms, has been completed, the reading room will be released from its present use and will be available to the Trustees to use as seems best at the time. The central position makes it an important part of the Museum building, and we can be sure that a worthy use will be found,
The Attitude of the Trustees of the British Museum

7. At their monthly meeting held on 31st January the Trustees of the British Museum were asked to amplify their earlier statement about the proposal that they should hand over control of the BML to a new NLA. As a result the Director of the Museum was authorised to write the letter given in Annex A to the Department. The Annex also gives the texts of two subsequent letters which were exchanged and which provided the opportunity for some further clarification.

8. The assurances I have received clear the way for the statement to be made. The text, given in Annex B, differs in only three minor respects from that discussed by SEP; an additional sentence has been added at the end to meet a suggestion by the President of the Board of Trade, and two changes have been made in the first paragraph in the light of the correspondence with the British Museum. Thereafter we would proceed at once to further negotiations with the Trustees leading up to the preparation of a White Paper and the eventual introduction of legislation. The Ministry of Public Building and Works, the Ministry of Housing and Local Government, the Ministry of Technology and the Board of Trade (in view of the Patent Office interest) would be associated as necessary with these negotiations.

Conclusion

9. I recommend accordingly that the statement should be made as soon as convenient and that we should then start consultations with the British Museum Trustees and other bodies concerned with a view to the publication of a White Paper (which I will submit to my colleagues in draft) as early in the summer as possible.

E. W. S.

Department of Education and Science, W. L

26th February, 1970
The Trustees of the British Museum were informed, at their meeting on Saturday last, of the conversation which you and I had had on the previous evening, and of the events which had led up to it. After discussion they agreed that I should write to you on the following lines:

Although the majority of the earlier books and manuscripts came to the British Museum by gift or bequest, the Trustees have long held that it is in the national interest that the British Museum Library (with the exception of the Department of Prints and Drawings) should become part of a national reference library structure. They have therefore welcomed, as their comments to the Department on the Dainton Report indicated, the major recommendation of that Committee that a National Libraries Authority should be established. To such an Authority they would be content to hand over in due course the custody, administration and control of the British Museum Library provided that

a) there is full consultation, in the period between the Government statement and the proposed White Paper and the White Paper and legislation, about such subjects as, for example, the structure, scope and responsibilities of the National Libraries Authority, the physical planning of the National Reference Library of Science and Invention, and the copyright acquisitions;

b) at all stages until the National Libraries Authority is fully operational and has buildings available to accommodate the books there is adequate machinery to ensure that the relevant libraries are involved in the planning of the process of transfer to the National Libraries Authority, preferably by means of an interim Joint Board.

In Herbert Andrew's absence I am writing to thank you for your letter of 2nd February. The fuller statement that it embodies of the Trustees' acceptance of the recommendation of the Dainton Report that a National Libraries Authority should be established is very helpful. (The question of the future of the Department of Prints and Drawings should not, I believe be a major obstacle).

Your letter expresses the willingness of the Trustees to hand over to the NLA in due course, the custody, administration and control of the British Museum Library, subject to two provisos. The first concerns consultation on various matters during the period between a Government statement of intent to set up the NLA and the
publication of a White Paper, and again between the publication of the White Paper and legislation to give effect to its proposals. I can see no difficulty over this; consultation throughout these periods would be essential.

The effect of the second proviso is more difficult to assess. It looks beyond the passing of legislation (which is not likely to be before 1972), and covers the period "until the National Libraries Authority is fully operational and has buildings available to accommodate the books ...." Applying this phrase to the British Museum Library (for the sake of simplicity I leave on one side the other libraries, while recognising that they too have their legitimate interests which they would be concerned to safeguard in their discussions with the Government), eight or ten years might elapse before new buildings for both BML and NRSI are completed. Throughout this period, I assume, the BML must continue to occupy its present accommodation in the Museum Building. No one would, I think, dispute that while this situation remains the Trustees could legitimately expect to have the last word in matters of domestic administration and security, and a large say in other matters, such as staffing, which might affect the Museum. Nor could one quarrel with the proposition that the timing of the NLA's assumption of its duties should depend on its readiness to discharge them, and that the hand over should be an orderly one worked out in consultation with its predecessors. But it would be equally important that the NLA, once established, should make an early start in co-ordinating the services and operations of the principal national library institutions, of which the British Museum Library is the largest and the most important, and in promoting their effective development.

In making this point I do not wish to imply that it is incompatible with the position of the Trustees. If that were so it would not be easy to see the way forward. But since the Trustees have been frank in indicating matters to which they will attach importance in subsequent negotiations, it may help if I set out some of the considerations which are likely to weigh with the Government in seeking a solution acceptable to those concerned and conducive to the national interest.

Text of Sir John Wolfenden's letter of 16th February

Thank you very much for your letter of 11th February. I shall have to lay it before my Trustees when they next meet and I will let you know their reaction thereafter. But my personal opinion, for what it is worth, is that there is nothing in it which need cause them any disquiet.
DRAFT STATEMENT

The Government have decided to accept in principle the main recommendation of the National Libraries Committee, namely that a National Libraries Authority should be established, to take over in due course the administration of the present British Museum Library and National Reference Library for Science and Invention and other institutions. Further consideration is being given to the structure, scope and responsibilities of this authority and to a number of other issues raised in the Committee's report. These will form the subject matter of a White Paper to be issued after further consultation as a preliminary to legislation.

Meanwhile, in the light of the Committee's recommendations on the siting of the British Museum Library and the National Reference Library of Science and Invention, and taking account of the latest technical developments in the storage of books, a new preliminary assessment has been made of the possibility of meeting the needs of both libraries on a smaller area of the Bloomsbury site than was previously envisaged for the British Museum Library alone. This gives grounds for hope that it might prove possible to meet the needs of both libraries, while providing considerably more housing on the site than was included in the earlier plan, preserving all the main listed buildings including the whole of the West side of Bloomsbury Square, and removing the need for a further site elsewhere in Central London for the National Reference Library of Science and Invention. In view of the results of this preliminary assessment the Government have decided to explore further the feasibility of a solution on these lines.

In reaching their final conclusion they will, of course, pay full regard to the requirements of the users of both libraries.
2nd March, 1970

CABINET

SALARIES OF THE HIGHER JUDICIARY

Memorandum by the Lord Chancellor

My colleagues will recall that, in summing up our recent discussion about an increase in salary for the higher judiciary, the Prime Minister said that it could perhaps be agreed in principle that the Judges should receive an increase equivalent to the stage 1 increase which had been given to higher civil servants last July, although it would be inopportune to make an increase in the Judges' salaries effective at that juncture. It was suggested that any opposition to increases might be mitigated if the Judges were prepared to agree that their salaries should in future be subject to review by the Special Panel of the Commission for Industry and Manpower (CC(70) 2nd Conclusions, Minute 4).

2. It has now become clear that, although the Scottish Judges would be prepared to agree to their remuneration being subject to review by the Special Panel, the English Judges are reluctant to do so. I do not think this should be held against them, more particularly as it is likely to be another three or four years before the Special Panel can be asked to consider further salary increases for senior civil servants. In the meantime, common fairness to the Judges surely requires us to give them the increase which they ought really to have had last year and which is well within the limits of the prices and incomes policy.

3. It was suggested when we last discussed this matter that the degree of retrospection to be conceded would require further consideration, but I should make it plain that there can be no question of retrospective increases for the Judges. Any increase in their salaries requires to be made by an Order in Council under the Judges Remuneration Act, 1955 and there is no power to give an Order retrospective effect. In these circumstances I hope my colleagues will agree that we ought not to delay any longer in taking the necessary steps to increase the salaries of the higher judiciary on the lines I proposed in my memorandum (C(70) 6).

G.

House of Lords, S.W.1.

2nd March, 1970
CABINET

COMMISSION FOR INDUSTRY AND MANPOWER

Memorandum by the First Secretary of State and Secretary of State for Employment and Productivity

Following the Cabinet discussions in January, we published a Consultative Document outlining our proposals for the Commission. Since then I have had discussions with the Confederation of British Industry (CBI) and have received the reactions of the Trades Union Congress (TUC). A number of points have also been raised by other interests. These are not of fundamental importance.

Views of the CBI

2. The views of the CBI were put to us at a meeting and were very much as might have been expected. They argued that there was no case for going beyond the examination of situations of monopoly or near-monopoly though they did not define the latter; but rather claimed that over the greater part of the economy, competitive forces were actually increasing rather than diminishing. They also argued that the legislation was fundamentally unbalanced because it did nothing to curb the unreasonable use of power by trade unions and in particular contained no provisions for restraint of inflationary pay settlements.

3. It became clear, both in this discussion and in subsequent ones with officials, that the main fear of the CBI lay in the possibility that the powers of price controls would be far more freely used than under the monopolies legislation. Associated with this was a fear that the procedures adopted by the new Commission would not give sufficient assurance to firms that they would be able to mount a proper defence of their conduct.

Views of the TUC

4. The TUC have told me that they support the Government's general approach. Their main reservation is over the reserve power to require notification of pay settlements before they are implemented. They repeat that, in their view, such notification should be a purely voluntary arrangement and they reject the view that we cannot provide for prior notification of price increases without making similar provision for pay settlements.
The Form of the Legislation

5. Work on the drafting of legislation has been going forward and is now at an advanced stage.

6. There is nothing in the reactions of the CBI and TUC which seems to require any fundamental change in the proposals which we set out in the Consultative Document. I think, however, we should go some way to try and meet the quite real fears of industry that the procedures of the Commission will not give sufficient protection to those under examination and that the substantial powers included in the legislation will be too lightly used by Ministers.

7. Both the Monopolies Commission and the National Board for Prices and Incomes (NBPI) have been left free to settle their own procedures with little limitation imposed by legislation. I am advised that to include detailed provisions in the legislation would be extremely dangerous by leading to legal wrangles about whether the procedure had been completely complied with. But I think we ought to reach agreement with whoever is the Chairman of the new Commission on a number of matters concerning procedure which will go as far as possible to satisfy the CBI. What I have in mind is that the Commission should be required to inform the firms concerned of the issues with which they intend to deal in their consideration of the reference. This will give the firm an adequate opportunity to set out their case. Further, I think that where the Commission comes to a conclusion that a firm's conduct has adverse effects on the public interest, they must so inform the firm and give them a final opportunity of rebutting the conclusion. In this way, it will be quite clear that no firm can be condemned by the Commission without an adequate opportunity of defending itself.

8. I have also reached the conclusion that we could go some way to calm the fears of industry that the powers of price control will be used widely and unfairly. We have already included in our proposals the safeguard that the price control power can be used only where the Commission finds that the firm is in effect abusing its market power. However, I think it would be helpful to draw some distinction in the legislation between cases where firms' behaviour in regard to prices has been found to be an abuse of market power over a substantial period, and cases where it is merely a specific price increase which has been examined and criticised. Where we refer to the Commission the question whether a specific price increase is justified, and the reference is confined to that single matter, I intend to provide that the only power which can be subsequently employed by the Government is the power of price control and this power should be exercised only for a period of 18 months following the receipt of the report. Without such a provision it would be technically possible to employ all the powers in the legislation - even theoretically the power of disvestment; and the power of price control could be exercised for an indefinite period. I do not think this is in any way appropriate to simple limited references on price increases which we want completed quickly. The full powers would, of course, remain available in other types of reference.
Other Conditions for the Use of Powers

9. When the Cabinet decided that members of the Commission should be allowed to dissent from conclusions in reports, I pointed out that this would involve a risk that the CBI would demand that the powers should not be exercised unless there was a two-thirds majority of the Commission subscribing to the findings. They have not, in fact, yet raised this point (although they may do so at a later stage). The Cabinet suggested that we ought to accept such a requirement, though possibly limited to reports affecting the structure of an industry. The requirement for a two-thirds majority in the monopolies legislation relates only to cases where a panel of the Commission is dealing with a reference. In such cases only a small number of people are concerned and a simple majority might consist of four people in favour and three against. This would certainly be a rather slender basis for the use of far-reaching powers. But if the whole Monopolies Commission consider a reference, the two-thirds majority would not be required. It seems to me, therefore, unnecessary to include in the Bill on publication any requirement for a two-thirds majority since we are not providing for panels to report on references. If we are pressed on this matter during the passage of the Bill, then we can reconsider it. As a fall-back position we could provide that the powers which affect the structure of an industry - disinvestment or prohibition of acquisitions - could not be exercised if a third of the Commission dissented from the conclusions of the report.

Matters to which the Commission for Industry and Manpower (CII/M) should have Regard

10. The Monopolies Commission is only required to have regard to certain matters which are comprised in the concept of "public interest" as set out in the 1948 Act. The NBPI is required to have regard to a "general considerations" Order which has in the past embodied the current White Paper on Productivity Prices and Incomes. In our Consultative Document we said that the CIM would be given a definition of the "public interest" as in the 1948 Act; and in cases involving the prices and incomes policy "would have regard" to the prices and incomes policy of the time.

11. Neither the CBI nor the TUC like the idea of requiring the CIM to have regard to the current White Paper. The TUC say they are opposed to a provision "if the guidelines set out in the White Paper remain". The CBI object to the Government being able to vary from time to time the principles on which the Commission frames its recommendations; they want it to be wholly independent of Government policy.

12. We need to retain a definition of "public interest" in the legislation; but the 1948 Act wording could do with expansion. It is worded in relation to the production of goods and needs elaboration to cover services. At the same time it would be possible to introduce references to the main objectives of any prices and incomes policy as set out in Section C of the current White Paper. A text revised on these lines and taking...
account of other comments is attached as an Annex. It is still subject to
drafting. The question is whether this would be sufficient guidance to the
Commission or whether we should retain the power to make an Order
setting out in more detail prices and incomes policy.

13. Against doing so we have to set the desirability of starting the work
of the new Commission on a basis as far as possible acceptable to the CBI
and TUC; and the need to emphasise the independent status of the
Commission.

14. The NBPI have, however, pressed me strongly to retain such
a provision, arguing that if the Government is operating an incomes policy
the Commission must work within that framework, and cannot be left free
to develop an alternative one of its own. I see force in this argument.
We also need to bear in mind the risk that dropping the provision may
give the impression that we are finally abandoning the attempt to maintain
a prices and incomes policy in the years ahead.

15. I should be grateful for my colleagues' views on this.

Notification of Pay Settlement

16. In spite of the TUC objection, I think we must stick to the reserve
provisions which would enable us to require prior notification of pay
claims and settlements, price increases and dividends. Although I
do not expect to have to use these powers, they form an essential background
to any attempt to influence the course of pay negotiations and price
increases. I propose to place on employers the responsibilities
for notifying us about pay claims received and settlements reached,
so there will be no question here of penalties falling on trade unions.
The only legal requirements falling on trade unions will, therefore,
be to provide information if the Commission require it in connection
with a reference. It is clearly essential that the Commission should
be able to require information and we cannot distinguish here between
all other firms and organisations and trade unions.

Top Salaries Panel

17. Preliminary discussions with those concerned suggest that the
proposal for the top salaries panel will prove generally acceptable.
There will be some points of detail to be cleared up but they should
not affect the legislation itself. I understand, however, from the
Lord Chancellor that his soundings with the Judiciary have not secured
any acceptance of the idea that their remuneration should be considered
by the panel. If, however, we decide not to include them in the groups
set out in the legislation as introduced, there will be power to add them
at a later stage if the attitude of the Judiciary changes.
Conclusion

18. I propose, therefore, to put to Legislation Committee and introduce as soon as possible a Bill based on the proposals in the Consultative Document with the additional provision in relation to price references set out above. I should be grateful for my colleagues' views on the point raised in paragraphs 10-15.

B.A.C.

Department of Employment and Productivity, S.W.1.

2nd March, 1970
The Commission shall have regard to the need in the public interest

(a) to provide goods and services of such types, qualities and quantities as will best meet the requirements of consumers at home and abroad, to do so by the most efficient and economical means, and to expand existing markets and open up new ones at home and abroad.

(b) to achieve growth in the general standard of living both through the organisation of industry and services in ways which increase efficiency, reduce costs, and encourage new investment, enterprise and technical development, and through the best distribution and effective use of labour materials and capital.

(c) to achieve price stability, and to ensure that consumers, as well as workers and owners of capital, share in the benefits of increased efficiency.

(d) to achieve a rational and fair relationship between the incomes of various groups in the community.

(e) to ensure that providers of particular goods and services do not exploit market power at the expense of the community as a whole.

NOTE: The wording underlined is material not included in the 1948 Monopolies Act.
The circulation of this memorandum has been restricted to members of the Cabinet and to Ministers in charge of Departments. Recipients are accordingly asked to ensure that the secrecy of its contents is strictly observed.
3rd March, 1970

CABINET

NON-INDUSTRIAL CIVIL SERVICE: CENTRAL PAY CLAIM

Memorandum by the Lord Privy Seal

In my memorandum to the Ministerial Committee on Prices and Incomes (PI) I made proposals for settling the recent claim by the National Staff Side for a substantial central pay increase covering the great majority of the non-industrial Civil Service. The background to this claim and the reasons why I thought it necessary to offer an increase of up to 8 per cent from 1st April, 1970, are fully described in that memorandum, a copy of which is attached.

2. The majority of the Prices and Incomes Committee did not agree with my proposals but were prepared to authorise increases of 5 per cent for those grades whose pay was last adjusted on 1st July, 1969, and 6½ per cent for those whose pay was last adjusted (ignoring staging) on 1st January, 1969. In my view these offers bore no relationship to the realities of the situation as set out in the PI paper and, had we put them forward, would have had the most unfortunate consequences. I therefore reserved my position in order to put to my Cabinet colleagues the crucial issues which seem to me to be at stake for both the Civil Service and the Government.

The Civil Service Situation

3. I have tried to explain in paragraphs 4-7 of the attached memorandum why the Civil Service is so deeply dissatisfied about pay and what the consequences are likely to be if we fail to settle the present claim by negotiation. The situation may be summed up as follows:

(i) The Staff Side have repeatedly and solemnly asserted (and have emphasised to me personally) that disillusionment with the way the Civil Service pay system has been applied in recent years has grown alarmingly; and that there is mounting pressure to break out of it and to use the power of the Civil Service to exact by militant action what cannot be won within the system because the Government, by its insistence on staging pay research increases in breach of the 1967 pay agreement, has not allowed it to operate freely in spite of the fact that
by definition Civil Service pay based on pay research must always lag behind. The main source of resentment is the feeling that there has been deliberate discrimination against civil servants as compared with other more militant groups. These feelings threaten the whole Whitley system and the willingness of the Staff Side to co-operate in anything from efficiency measures to Fulton changes.

(ii) We do not have to take the word of the Staff Side leadership (although I fully believe they are sincere and in varying degrees deplore the situation which they are no longer confident of controlling). There is ample direct evidence, e.g. the proceedings of staff association conferences, correspondence in staff journals, official declarations by some staff associations in favour of militant policies, threats of industrial action and actual instances of it on an unprecedented and growing scale. We are rapidly approaching, if we have not already reached, a parting of the ways; if militant action is once started on a serious scale we shall have embarked on a course which will involve settling pay disputes in the Civil Service by means of the use of industrial power rather than by the process of reasoned argument.

(iii) It may be argued that the risk of 'industrialising' in this way the Civil Service must be taken; or even that the preservation of responsible and restrained trade union leadership and policies in the Civil Service is not of first importance. To those who may think this I must make plain that the Civil Service can by selective industrial action far short of a large-scale withdrawal of labour bring essential Government work to a halt. At very little cost to the Staff Side, the tax work of the Inland Revenue could be paralysed in vital areas, social service payments in local offices obstructed or prevented, civil airports closed by the cessation of air traffic control and the essential processes of central government gravely impeded. I cannot of course assert that such action will be taken in any given set of circumstances, I can only report that the National Staff Side have told me that it is very likely to occur if no reasonable offer is forthcoming. And I must emphasise that we have already had a foretaste of it, i.e. the overtime ban by Inland Revenue staff which so affected the backlog of tax queries that we were obliged to give the unprecedented undertaking (which I myself would very much have preferred not to give) to backdate the future outcome of an overtime claim. The actions which the Staff Side could take would be extremely damaging and I doubt very much whether we should be prepared or able to stand firm in the face of them. And to capitulate after such a confrontation would in my view be a disaster.

The Claim: Amount

4. Although the situation is serious I certainly do not wish to reach a settlement regardless of cost; nor at the moment do I think we need to. While there is no possibility of getting a settlement on the basis proposed in the Prices and Incomes Committee I believe that it would be possible to do so within the limits of my own proposal which would be consistent with
the Civil Service pay system and, so far as the amount is concerned, would not appear large in relation to many other settlements recently concluded in both the public and private sectors. The Staff Side claim is based on the extent to which the pay of the main Civil Service classes has fallen behind since it was last brought up to the appropriate fair comparison levels on 1st January, 1968. In assessing this, they would not accept that the 5 per cent referred to in the Prices and Incomes Committee, by which the wages index has increased since 1st July, 1969, is relevant. In the eyes of the Staff Side the relevant fact is that between the end of December, 1967, and the end of January, 1970, the wages index rose by 13.8 per cent while the Civil Service rates of the group concerned were increased by 5 per cent (the central pay increase of July, 1969) - a lag of 8.8 per cent. While I certainly do not regard the wages index as an acceptable yardstick, it cannot in the present situation be ignored. By the end of March the "lag" may well have grown to 10-10.5 per cent. Despite this I would hope to be able to settle for 8 per cent and just possibly for only 7 per cent. Those figures have no logical justification. They emerge from a number of considerations - the rate of wages growth, the example of recent settlements (including particularly the Post Office), the negotiating realities and the importance of avoiding failure. I assure my colleagues that we shall drive the hardest bargain we can within these limits - for Civil Service as well as cost and incomes policy reasons.

5. The suggestion made by the Prices and Incomes Committee that there should be differential increases based on the White Paper range and on the period of time since the last pay adjustment is quite unrealistic on two counts. It produces far too modest an offer; but it would also have the effect of giving bigger increases to those grades whose pay was last brought into line by fair comparisons on 1st January, 1969, than to those whose pay was so adjusted on 1st January, 1968. We clearly cannot offer less to the much larger group of staff whose pay, in spite of the central pay increase of last July, has fallen farthest behind. But there is a case for giving the former group a smaller increase than the others and I would seek to achieve this within an overall negotiating authority of 8 per cent from 1st April, 1970.

The Claim: Operative Date

6. In the discussion at the Prices and Incomes Committee great stress was laid on the importance for incomes policy, particularly in relation to the private sector, of preserving the 12 months' rule which, for the great majority of the staff covered by the claim, would rule out any operative date earlier than 1st July, 1970. I do not for a moment question the importance to incomes policy of trying to restore to this rule the authority it had prior to the recent pay offers to Post Office and local authority staff; but there are on the other hand very strong arguments of another kind against waiting until July:-
(i) It would not be possible to put the claim on one side and resume negotiations in, say, May or June. The Staff Side would not accept such a proposal and if we tried to press it the situation would get out of control very quickly with the consequences I have described.

(ii) It would therefore be necessary to reach agreement now a settlement to take effect three to four months hence (assuming that the Staff Side were prepared anyway to forgo an increase until then). They would insist on increasing the amount to take account of likely movements in the wages index between now and 1st July and would hardly be content with less than one percentage point a month. They would no doubt expect to get something over and above this to compensate for the deferment as such. If I am right in my belief that we could probably settle for 7-8 per cent from 1st April, 1970, if we offer it quickly, then the price of deferring the operative date by three months to 1st July might easily raise the cost of the settlement to 12 per cent or more.

(iii) A settlement of this order could well be more expensive in 1970 than one which operated from 1st April, 1970. It would by its very size be entirely alien to the Civil Service pay system and make it very difficult to return to sanity in our future pay arrangements. It would be damaging to incomes policy to base so large an increase on general wages movements rather than on close functional comparisons. It would even involve the risk of overpaying the Civil Service in relation to the pay research surveys due on 1st January, 1971. For these reasons there could hardly be a more unfortunate outcome for the Civil Service (and arguably for incomes policy) than a 1st July settlement - except a complete breakdown of negotiations.

Conclusion

7. We are therefore faced with a most difficult choice and it is vital that we make the right one. For the reasons I have given I must strongly urge my colleagues to agree to my proposal of a more modest offer to take early effect; and in detail to authorise me to seek a negotiated settlement within the limits of an increase of 8 per cent from 1st April, 1970, for all eligible grades (if possible with a smaller increase for those whose pay was adjusted by pay research on 1st January, 1969). In addition, for the reasons given in my PI paper, we should confirm our proposal to adopt a two-year pay research cycle, and accept that in the interests of getting back into phase the next central pay settlement should take effect from 1st January, 1971.

S.

Civil Service Department, S.W.1.

2nd March, 1970
MINISTERIAL COMMITTEE ON PRICES AND INCOMES

NON-INDUSTRIAL CIVIL SERVICE: CENTRAL PAY CLAIM

Memorandum by the Lord Privy Seal

Introduction

In the course of our discussions on the recent Post Office pay settlement I told my colleagues that we could expect an early claim from the Civil Service National Staff Side for a substantial pay increase for the non-industrial Civil Service. This has now been lodged and, as expected, refers directly to recent events in the Post Office.

Background

2. In the non-industrial Civil Service pay is determined in accordance with principles stemming from the recommendations of the Royal Commission on the Civil Service 1953-55 (the Priestley Commission) as embodied and supplemented in later agreements between the Official and Staff Sides of the National Whitley Council. Briefly, these principles accept that the primary factor in determining pay in the non-industrial Civil Service should be a "fair comparison" with the rates paid for broadly comparable work outside the Civil Service after taking into account differences in other conditions of service. For the main classes of the Civil Service the facts necessary to establish fair comparison are obtained by the Civil Service Pay Research Unit set up in 1956 which at present surveys nearly all these classes every three years. Its procedures are extremely thorough and it is widely recognised as being the most effective body of its kind in the country (and perhaps anywhere). After examining the nature of the work inside the Civil Service the Unit seeks functional analogues in outside employment and reports the facts about their pay and conditions of service. This provides the data from which the Official and Staff Sides negotiate a new rate for the Civil Service job around the median of the rates for the outside jobs. The great majority of grades not covered by pay research surveys have their pay determined by means of pay links with other grades of comparable responsibility which have pay research.

3. In addition to pay reviews based on the work of the Pay Research Unit it has become accepted practice to award interim increases in pay to ensure that the pay of civil servants does not lag too far behind outside rates of pay during the interval
between pay research surveys. The need for interim settlements of this kind was recognised by the Priestley Commission.

Recent Pay History

4. In 1964 the Official and Staff Sides entered into a 3-year agreement which provided for central pay increases of 3 per cent on 1 January 1964, 3\% per cent on 1 January 1965 and 3\% per cent on 1 January 1966. In practice outside rates of pay moved much more rapidly over this period, and in the context of the 4-yearly pay research cycle then in force, Civil Service rates fell markedly behind those in outside employment though the Staff Side, nonetheless, stood by the 1964 central pay agreement. They showed too a recognition of the requirements of incomes policy in its early years and accepted the 1966/67 "standstill" because it was nation-wide. But the subsequent application in 1968 and 1969 of staging to Civil Service pay was bitterly resented. This was because staging was applied after a period in which, as I have said, Civil Service rates had fallen well behind pay in comparable employment outside the Service, partly as a result of the modest level of central pay increases provided for in the 1964 agreement and partly because of the long time lag between pay research settlements. The decision to stage Civil Service pay increases did in fact represent a unilateral breach by the Official Side of the 1964 and the 1967 Civil Service Pay Agreements. The Staff Side rightly claimed that the very size of the pay research settlements (which were designed to bring Civil Service pay into line, not with the highest, but with the average level of pay for comparable outside work) demonstrated how far Civil Service pay had fallen behind. The decision to stage these pay increases meant that pay in the Civil Service remained behind outside rates as these were themselves being improved through fresh increases in pay. Furthermore the effect of staging was to reduce the pension entitlement of those near to retirement since Civil Service pensions are calculated by reference to the average pay of an officer in his last three years of service. This was particularly resented because its effects were permanent.

5. It is true that during this period there were suggestions in some quarters that civil servants were in fact being preferentially treated because in some cases the second stage of staged increases exceeded the 3\% per cent annual ceiling. But, as I have pointed out, the size of the increases arose as a result of the built in time-lag in the Civil Service pay system and the rate of growth in incomes generally; and because of staging, they did not bring Civil Service rates even temporarily into line with comparable outside rates.

THE PRESENT MOOD

6. For all these reasons the National Staff Side and Staff Associations have become increasingly disillusioned by what they strongly believe to be the discriminatory treatment of the public services by comparison with the nationalised industries and the private sector. As a result, we now have on our hands a crisis of confidence and trust in the good intentions of the Government over
the operation of the Civil Service pay system in which there still remains, however, a basic, although diminishing, faith. The present Staff Side leaders are coming under increasingly severe pressure from their members to abandon their long standing policy of co-operation with the Official Side in management matters. There has been markedly less willingness to take part in measures to improve efficiency in which the Staff Associations have hitherto readily co-operated. There is also a very real risk that progress with structural reform following the Fulton Report could be placed in jeopardy by a policy of non-co-operation on the Staff Side. The present more responsible leaders see a real threat to their continuing authority in the face of a rising tide of militancy among their members. Already militancy is the declared policy of more than one Staff Association representing lower paid staff; in recent months there has been an unprecedented number of threats of industrial action within the Service including the pressure brought to bear by overtime bans in the Inland Revenue in support of the National Staff Side claim for revised overtime rates (which is currently under consideration). There has also been strong pressure on the leadership of the Society of Civil Servants (representing the Executive Classes) to adopt a militant policy. This has shown itself in a number of ways, including the demand for special out-of-turn measures to improve the pay of Executive Officers which we have been resisting as being inconsistent with the Civil Service pay system. The growth of militancy has been encouraged by recent events inside and outside the Service which seem to show that militancy always pays.

7. Because of the co-operative attitude in the past of the Civil Service Staff Associations we do not perhaps adequately realise the value of the good relations between management and staff which Government has enjoyed. The non-industrial Civil Service is involved in every part of the country with every facet of its life and work. If we create the conditions for militancy to flourish the consequences could be both damaging and far reaching.

8. This is the background against which we must approach the present claim. I do not suggest that we should "buy off" the threat of militancy by means of an inflated settlement. But I am convinced that we must reach a central pay settlement for the non-industrial Civil Service which would be regarded as just and equitable against the pattern of recent pay settlements and which will give the Staff Side no legitimate grounds for claiming that the Government is discriminating against its own employees.

The Staff Side Claim

9. While the Staff Side have lodged a claim for "an immediate and substantial central pay settlement which is demonstrably fair to the Civil Service", they have not specified a particular percentage increase or indicated the date from which, in their view, it should operate. The leadership of the Staff Side is, I am sure, aware of the risks involved in their becoming committed to a particular figure. But if a figure had been indicated it would, without question, have been a sizeable one. The claim refers to
"the immense pressure now being exerted upon Staff Association leaders who are under challenge to demonstrate that our negotiating system can yield the kind of results which have been received elsewhere by more militant methods". The claim refers to the index of wage rates which at the end of 1969 showed a rise of almost 13 per cent since the operative date of the last pay research settlement for the Clerical, Executive and Administrative classes on 1 January 1968 (and to the rise in the index of average earnings of approximately 17 per cent since 1 January 1968). The claim suggests that impending changes in the index of wage rates will indicate a further marked upward trend. It points out that, in contrast, the Civil Service grades to which it refers have received an increase of only 5 per cent at 1 July 1969 and draws attention to the recent Post Office settlement (in which staff with an identical pay history have been offered an increase with effect from 1 January 1970 of about 5.5 per cent but are still holding out for more). The Staff Side ask against this background for a central pay settlement which is "realistically related to what is happening in the community generally."

**Categories of Staff Concerned**

10. On the basis of their past pay history the non-industrial Civil Service can be divided into three broad categories:-

(a) Grades whose last pay research settlement took effect on 1 January 1968 (with a second stage of the settlement paid on 1 January 1969) and who received a 5 per cent central pay increase on 1 July 1969. This group, which include the general service Clerical, Executive and Administrative Classes, numbers about 320,000. An increase in their rates of pay of 1 per cent would cost £4.5 million in a full year.

(b) Grades whose last pay research settlement took effect on 1 January 1969 (with a second stage of the settlement paid on 1 January 1970) and who therefore did not benefit from the central pay increase on 1 July 1969. This group includes the Works Group and other technical classes and numbers about 80,000. The cost of an increase in their rates of pay of 1 per cent would be £1.2 million in a full year.

(c) Grades whose last pay research settlement took effect on 1 July 1966 or 1 July 1967 (deferred from 1 January 1966 and 1 January 1967 respectively because of the incomes standstill). This group, which includes messengers, typists, machine grades, cleaners and process and general supervisory grades, numbers about 60,000. These grades have been the subject of a pay research survey during the course of 1969 and negotiations are currently in progress for a pay research settlement to be effective from 1 January 1970 for them and for grades linked to them for pay purposes.

11. The Assistant Secretary, Under Secretary (and related grades) are eligible for central pay settlements and the Plowden Committee has to be consulted about the application to them of a central
pay increase. This is relevant to the decision we shall eventually have to take on the implementation of the balance of the pay increases for the Higher Civil Service recommended last year by the Plowden Committee (on which I hope to submit proposals to my colleagues shortly). In the meantime this consideration need not affect our decision on a suitable central pay offer.

Approach to the Claim

12. In my memorandum PI(SC)(69)71, which dealt with the arrangements for pay negotiation in the non-industrial Civil Service, I proposed that the Staff Side should be offered a change from the present three year to a two year pay research cycle (if this proved technically feasible), conditional upon the conclusion of a satisfactory agreement for the regulation of future central pay increases. I also pointed out that the dates of pay research and central pay settlements have become out of phase in the course of applying the policies of standstill and severe restraint; this has resulted in technical breaches of the 12 months rule to avoid a gap of 18 months between pay increases. I suggested that it would be desirable to arrange for a return to a common date of 1 January for both pay research reviews and central pay increases, although this might have to be achieved gradually and group by group according to the position of each group in the pay research cycle.

13. In normal circumstances I would therefore be suggesting the conclusion of an agreement governing central pay for at least 1970 and 1971 coupled with a reduction in the pay research cycle from 3 to 2 years. I would have expected the agreement to provide for increases of modest proportions in line with incomes policy and to preserve the concept that central pay represents a "topping up" to alleviate rather than fully to rectify the extent to which Civil Service pay has fallen behind outside rates. The agreement would also have provided for a return to a 1 January date for central pay, either on the group by group basis suggested in my earlier memorandum or possibly in two steps, i.e. by operative dates of 1 April 1970 and 1 January 1971.

14. But we now face a very different situation in which an agreement on those lines could not possibly form the basis of a negotiated settlement. We are faced with the choice of going well beyond this or of failing to secure agreement and accepting the consequences which would flow from this. We have to take into account the level of settlements which have been conceded elsewhere in the public and in the private sector and, as I warned my colleagues earlier, the Staff Side regard the recent Post Office offers as particularly relevant to their case. These involve a real (and not a technical) breach of the 12 months rule (which has been eroded by other recent settlements) and concede with effect from 1 January 1970 a pay increase of about 8.5 per cent to Post Office grades whose pay history and pay situation is identical with that of the Civil Service grades in the category set out in paragraph 10(a) above. Not merely is there an identity of pay history but there is a large element of common membership between the Post Office and Civil Service grades.
in the Civil and Public Services Association and the Society of Civil Servants. The extent that the pay increases given to Post Office grades analogous with those in the Civil Service group at paragraph 10(c) above were higher than Civil Service pay research evidence would appear to justify will increase our difficulties in reaching satisfactory pay settlements for those grades covered by the current pay research negotiations. But we would not regard them as eligible for a central pay increase as such in the same year as a pay research settlement. The Staff side will be aware that the Post Office has yet to reach a settlement with the Post Office Engineering Union for Post Office grades which are analogous to the Civil Service grades in paragraph 10(b) above, and that the union has indicated their intention of pressing for a very sizeable settlement indeed (for which the highest level of increases conceded in the recent Post Office settlement will no doubt be their starting point).

15. It is true that we can argue that the Post Office management had a legitimate desire to ensure that all its grades moved to a common review date. But we have already accepted this as an objective for the Civil Service. The acceptance of a settlement which combines "new style" Corporation treatment in respect both of its operative date and the way in which weak productivity arguments have been added to those of generalised comparability to produce an inflated settlement (to be paid for at least in part by increases in Post Office charges) have necessarily led the Staff Side to assume that there can be no incomes policy objection to a generous and early central pay increase for eligible Civil Service grades.

16. I do not suggest that the Post Office and the Civil Service must be treated alike; this would not suit either the Civil Service pay system or the Civil Service situation. But the Post Office settlement has made it impossible for me to argue that the 12 months rule and the White Paper range of 2½% to 4½% must be applied to the Civil Service in present circumstances. In any case, while the Staff Side naturally see particular relevance in the Post Office settlement since its employees used to be classified as non-industrial civil servants, they will not have disregarded the pay settlements which have taken place elsewhere in the public and private sector in the last few months, and, particularly where these cases have been won through militant action, will have drawn appropriate conclusions.

17. We have also to recognise that the Staff Side will not accept that the central pay settlement of 1969 can be taken as our starting point. That settlement was based on the 3½% annual ceiling then in force and did not purport in any way to bring Civil Service pay up to the proper 'fair comparison' level. The Staff Side are concerned with the discrepancy between pay movements outside the Service since 1 January 1968 when a "fair comparison" rate was last established for the main Civil Service grades and the 5% increase which is all that these grades have had since then. Their present claim cannot reasonably be regarded as re-opening the July 1969 central pay settlement which they regard (correctly) as having done little to keep Civil Service salaries in line.
18. It is against this background that I have had to consider what course of action to propose to my colleagues. It is most important that we should reach a negotiated settlement on an acceptable basis; if we were forced to arbitration I have no doubt that in present circumstances they would make a very substantial award. And I cannot too strongly emphasise the harm that would be done to staff relations if we allow large increases to be forced from us by arbitration and lose this opportunity to re-establish confidence in the Whitley system. My conclusion is that we should make an offer on the following lines:

(a) it would specify the level of a central pay increase for 1970 only. If we were to attempt now to negotiate a longer term agreement with the Staff Side we should not reach one without conceding a larger increase for succeeding years than would be justified before future trends have fully shown themselves;

(b) it would provide for a return to a situation in which the pay of the whole non-industrial Civil Service is reviewed each year with effect from a common date of 1 January. If this can be negotiated it should be achieved by means of central pay increases on 1 April 1970 and 1 January 1971. But depending on the course of negotiations it might be preferable to concede an effective date of 1 January 1970 in the interests of negotiating a lower percentage increase (which would, apart from other considerations, be helpful in relation to the settlements for those grades covered by the current pay research negotiations). This would follow the precedent set by the Post Office settlement where the new Corporation saw similar advantages in a common date of review for its staff;

(c) it would provide for the same percentage increase to be payable to all those grades not covered by the current pay research negotiations. It could be argued that those grades in paragraph 10(a) above should receive a higher increase than those in paragraph 10(a) above, on the grounds that their last pay increase dates from 1 January 1969 (with a second stage payable on 1 January 1970) whereas their other colleagues received last year’s central pay increase on 1 July 1969. But on the other hand those grades in paragraph 10(a) could claim, on the evidence of movements in the wages index, to have fallen further behind over the last 18 months than those in paragraph 10(b). The best course would be to give parity of treatment as part of the process of returning to a common review date;

(d) subject to a satisfactory resolution of the organisational problems in shortening the pay research cycle we should now confirm our offer of a move from a 3 year to a 2 year cycle. This would be helpful in securing a negotiated settlement on reasonable lines since it will be a further positive assurance of our intention to ensure that Civil Service pay is
maintained on a "fair comparison" basis. It will also have the advantage of reducing the level of the pay research settlements which are required when Civil Service pay lags too far behind outside rates. Any central pay increase for 1970 will of course itself lead to a reduction in the level of increase which will have to be negotiated on the basis of subsequent pay research surveys since it will serve to reduce the present disparity between pay inside and outside the Service.

19. For reasons of confidentiality I shall not include in this memorandum any recommendation on the level of increase within which I seek authority to negotiate but will put any proposals to my colleagues by direct correspondence before the Committee meets. But from what I have said in this memorandum, it will be clear that I consider that the increase must be a substantial one.

INCOMES POLICY REQUIREMENTS

20. It will be clear from what I have already said that I do not see how it will be possible to reconcile the level and timing of any settlement which would not appear to discriminate against the Civil Service with the requirements of the 12 months' rule and the 2½% - 4½% range. On the other hand an offer on the lines proposed could be justified within the terms of the White Paper sections on the public services and on market requirements.

REPERCUSSIONS

21. I recognise that a central pay increase for the Civil Service would have direct implications for some other public services. The largest of these is the National Health Service, where some 75,000 administrative, clerical, technical and works staff have direct pay links with the Civil Service; a 1% increase for these grades would cost rather less than £1m in a full year. Another is the Atomic Energy Authority, where a 1% increase for grades linked to those in paragraphs 10(a) and 10(b) above would add about £2½m to the salary bill. But these inevitable consequential increases are relatively small and, since similar repercussions always occur whenever widespread Civil Service increases are given, they should not in my view influence our decision on the merits.

CONCLUSION

22. If we can reach a negotiated settlement which the Staff Side accepts as a fair and reasonable one we shall have gone a long way towards containing the threat of militancy. If we fail to do so it will be at the cost of increasing resentment within the Service which could seriously impede moves towards greater efficiency and post-Fulton restructuring, undermine staff relations in the Civil Service still further and give rise to industrial action of a limited but damaging kind. While the Whitley Council negotiating machinery has been subjected to serious strains in recent years, it still commands widespread
confidence among Civil Service staff. We must not lend support
to the growing number who argue that it is only by militant
action that the Government can be persuaded to accord treatment
to its own employees which fairly matches that of the rest of
the community.

S.

Civil Service Department, SW1
20 February 1970
The circulation of this memorandum has been restricted to members of the Cabinet and to Ministers in charge of Departments. Recipients are accordingly asked to ensure that the secrecy of its contents is strictly observed.
3rd March, 1970

CABINET

PAY OF THE HIGHER CIVIL SERVICE

Memorandum by the Lord Privy Seal

In C(70) 41, I make proposals for dealing with Stages 2 and 3 of the increases recommended for Chairmen and members of Boards of nationalised industries in Report No. 107 of the National Board for Prices and Incomes (NBPI). When we considered the pay of the Higher Civil Service last year in the Ministerial Committee on Prices and Incomes following the report of the Plowden Committee I suggested that whatever pattern of staging might eventually be applied to nationalised industry Chairmen and Board members in respect of Stage 2 would also have to be applied to the Higher Civil Service. Although no public announcement was made to this effect, the Government statement of 11th July, 1969, on the Plowden Committee report was in similar terms to the earlier statement on NBPI Report No. 107 and there is a clear presumption therefore that the two reports will be treated similarly.

In particular, the statement of 11th July said that the Government accepted that the rates recommended were right in principle; that they should be implemented when the requirements of incomes policy allowed; that the first stage increases, being within the ceiling, would be implemented from 1st July, 1969, as recommended; and that the rest of the increases recommended would have to be considered in the light of developments in incomes policy over the next two years.

2. In these circumstances it would be very difficult to justify different treatment so that if we decided to implement the Stage 2 increase for nationalised industry Board members on 1st April, 1970, we could hardly avoid implementing in turn the Stage 2 increases recommended by the Plowden Committee should in turn be implemented on 1st July, 1970. The increases recommended by the Committee are set out in the Annex.

3. The arguments for and against announcing the implementation of Stage 3 of the nationalised industry increases which are set out in paragraphs 2-4 of C(70) 41 apply similarly to Stage 3 of the Plowden increases (except that this is due on 1st July, 1971, and will therefore be three months nearer to the outcome of the Special Panel's first review). In this area, however, we have to reckon with the attitude of the National Staff Side whose interest will be to secure the earliest
possible implementation of both Stages 2 and 3; and they will be particularly watchful in the transitional period between Plowden and the Special Panel for any evidence that the interests of the Higher Civil Service are threatened.

4. The National Staff Side have just presented a claim urging the immediate payment of Stages 2 and 3. Several staff associations have a direct interest in what happens in the Plowden area; those who do not will oppose anything which looks to them like discrimination against the Civil Service even at this level, and the Staff Side have made clear on numerous occasions their strong opposition to the staging of increases which the Government has accepted as being due. We should not therefore underestimate the effect on the confidence of the Staff Side in the Government's intentions if there appears to be unjustifiable delay in implementing the Plowden recommendations.

5. Apart from this aspect, the National Staff Side have already argued that it should be a condition of their acquiescence in the disappearance of the Plowden Committee and its replacement by the Special Panel that there should be "a clean slate". By this they mean that the Plowden rates should be implemented in full in the near future and that the starting point of the first review of the Special Panel should be the assumption that the Stage 3 rates were "correct" in relation to 1st July, 1969. The Plowden Committee said that these rates did "no more than achieve minimum standards of comparability" in the circumstances of mid-1969 and made no allowance for subsequent pay developments outside the Service.

6. I do not however think that they would be likely to withhold their consent to the replacement of the Plowden Committee in the face of a Government undertaking to implement Stage 3 on 1st July, 1971. But if we said that we could not promise to do this because the Panel would be conducting a fresh review in 1971, there would be strong opposition which might decisively affect their attitude towards the Special Panel itself. We have been successful so far in persuading the Staff Side that the Special Panel is intended to ensure that the remuneration of the groups affected is reviewed more effectively and consistently; and to dispel their suspicion that it will be harmful to the interests of the Higher Civil Service. I doubt very much whether we should still be able to reassure them if it appeared to them that the setting up of the Panel is being made to justify the deferment of Stage 3 beyond 1st July, 1971. In that event we should be faced with the unpleasant task of abolishing the Plowden Committee in the face of Staff Side opposition and we should lose a most valuable opportunity of effecting a necessary reform in our pay machinery in harmony with the interests of all concerned.

7. The implementation of the outstanding increases is also relevant to our progress towards the introduction of a unified structure at the top of the Service, which is of course a crucial first step in carrying out the Fulton recommentations to which the Government is publicly committed.
The Staff Side have also said that it is essential for the Plowden increases to be fully implemented "before they can effectively enter into joint discussions on pay and grading at the top of the Civil Service" in accordance with the recommendations of the Fulton Report.

8. A further point stressed by the Staff Side is that staging bears especially badly upon those nearing retiring age because of the permanent effect which it has on pensions, and this applies particularly in the Higher Civil Service.

9. While the wastage of senior civil servants to more highly paid jobs outside the Service has not yet become a serious problem, it must be borne in mind that the Higher Civil Service includes senior professional staff with highly marketable qualifications and experience. If the salaries which can be offered to these staff continue to be substantially below the salaries they could command outside, the Service is in danger of losing some of its most able staff. Difficulties also arise at present where it is necessary to recruit staff at senior levels direct from outside. In these cases it is often impossible to match the existing salaries of the staff concerned without paying salaries which are seriously out of line with those paid to permanent civil servants at similar levels.

10. Delay in implementing the remaining stages of the Plowden increases would also lead to problems of vertical relativities within the Service. Any 1970 central pay settlement for the lower grades must be reported to the Plowden Committee, who under current policy can be expected to recommend that it should be passed on to the Assistant Secretary and Under-Secretary grades. The Assistant Secretary is also due for a pay research increase from 1st January, 1971. This will lead to a compression of differentials between Assistant Secretary and Under-Secretary levels until the Under-Secretary's present Plowden increase is fully implemented. The problem of how to tie in the receipt by the Under-Secretary of a central pay increase with the implementation of Stages 2 and 3 of the present Plowden increases will need further consideration.

11. The presentational difficulties attaching to increases for nationalised Board Chairmen and members apply equally to increases for higher civil servants and I recognise that they are considerable. Indeed the Stage 2 increases for Permanent Secretaries (21.4 per cent) are appreciably larger than the highest increases under Stage 2 for nationalised board salaries (16.7 per cent for Group A classes). But I see no defensible basis for treating the two groups differently; and considerable disadvantages for staff relations if we do. I therefore invite my colleagues to agree, subject to the decision taken on C(70) 41 that Stage 2 of the Plowden increases should be implemented on 1st July, 1970, and, if Stage 3 of the nationalised board increases are to be implemented from 1st April, 1971, that Stage 3 of the Plowden increases
should be applied on 1st July, 1971; and that an announcement should be made to this effect at the same time as our decision about the nationalised board increases is made public.

S,

Civil Service Department, S.W.1.

2nd March, 1970
INCREASES RECOMMENDED BY THE PLOWDEN COMMITTEE

<table>
<thead>
<tr>
<th></th>
<th>Pre 1.7.69 Rates</th>
<th>Stage 1 paid wef 1.7.69</th>
<th>Stage 2 (1.7.70 proposed) Increase</th>
<th>Stage 3 (1.7.71 proposed) Increase</th>
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<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£ as % of pre 1.7.69 rates</td>
<td>£ as % of pre 1.7.69 rates</td>
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<tr>
<td>Permanent Secretary</td>
<td>8,600</td>
<td>9,800</td>
<td>11,900 24.4% 21.4%</td>
<td>14,000 24.4% 17.6%</td>
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<td>7,100</td>
<td>8,050 15.1% 13.4%</td>
<td>9,000 15.1% 11.8%</td>
</tr>
<tr>
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<td>5,500</td>
<td>6,000</td>
<td>6,375 6.8% 6.2%</td>
<td>6,750 6.8% 5.9%</td>
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The average increase (calculated as a percentage of the pre 1.7.69 rates) received by the 1,000 or so senior civil servants affected will be about 10 per cent at Stage 2 and a further 10 per cent at Stage 3. The Stage 2 increase represents an average amount of about 9 per cent over the Stage 1 figure currently in payment, and the Stage 3 increase an average of about 8 per cent over the Stage 2 figure.

The addition to the annual salary bill will be about £0.6 million at Stage 2 and a further £0.6 million at Stage 3.