CP(72) 101 - 1973 Revaluation for Rates. Memorandum by the Secretary of State for the Environment

102 - Development and Compensation - Putting People First: Draft White Paper. Note by the Secretary of State for the Environment

103 - Agricultural Marketing and Horticultural Marketing: Draft Green Paper. Note by the Minister of Agriculture, Fisheries and Food

104 - 1973 Revaluation for Rates. Memorandum by the Secretary of State for the Environment

105 - Rate Support Grant Negotiations 1972. Note by the Secretary of State for the Environment

106 - The Queen's Speech on the Prorogation of Parliament. Note by the Secretary of State for the Home Department and Lord President of the Council

107 - The Queen's Speech on the Opening of Parliament. Note by the Secretary of State for the Home Department and Lord President of the Council

108 - Northern Ireland: Paper for Discussion. Note by the Secretary of State for Northern Ireland

109 - The Queen's Speech on the Prorogation of Parliament. Note by the Secretary of the Cabinet

110 - Default on the Housing Finance Act in England. Memorandum by the Secretary of State for the Environment

111 - Housing Finance Act - Default Procedure. Memorandum by the Secretary of State for Wales

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113 - The Queen's Speech on the Opening of Parliament. Note by the Secretary of the Cabinet

114 - Rate Support Grant 1973-74. Note by the Secretary of State for the Environment

115 - Inflation (Temporary Provisions) Bill. Note by the Secretary of the Cabinet

116 - Inflation (Temporary Provisions) Bill. Note by the Secretary of State for the Home Department and Lord President of the Council

117 - Inflation (Temporary Provisions) Bill. Note by the Chancellor of the Exchequer
CP(72) 118 - A Fleeting Visit to Peking. Note by the Secretary of State for Foreign and Commonwealth Affairs

119 - Rate Support Grant Negotiations. Memorandum by the Secretary of State for the Environment

120 - Whitehall Redevelopment. Memorandum by the Secretary of State for the Home Department

121 - Public Expenditure to 1976-77. Memorandum by the Chancellor of the Exchequer

122 - Public Expenditure to 1976-77. Memorandum by the Central Policy Review Staff

123 - Civil Liability for Personal Injury. Memorandum by the Lord Chancellor and the Secretary of State for Social Services

124 - Ministerial Responsibilities for Europe. Memorandum by the Prime Minister

125 - Report of the Working Party on Unemployment Statistics. Note by the Secretary of State for Employment
1 October 1972

CABINET

1973 REVALUATION FOR RATES
Memorandum by the Secretary of State for the Environment

1. The General Rate Act 1967 requires new valuation lists to come into force on 1 April 1973. Although revaluation is intended to occur every five years the last Government cancelled the 1968 one and existing rateable values are thus now ten years old.

2. The rateable values in the new lists will be on average 2.51 times the present values. The commercial sector (shops, offices, etc.) has increased relatively more, industry somewhat less, with the domestic sector (accounting for about half the total rateable value) only slightly above the average (see table below).

<table>
<thead>
<tr>
<th>Property</th>
<th>Domestic</th>
<th>Commercial</th>
<th>Industrial</th>
<th>Other</th>
<th>All property</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor of Increase</td>
<td>2.56</td>
<td>2.74</td>
<td>2.24</td>
<td>2.17</td>
<td>2.51</td>
</tr>
<tr>
<td>Proportion in present lists %</td>
<td>50.53</td>
<td>23.74</td>
<td>14.63</td>
<td>11.40</td>
<td>100.0</td>
</tr>
<tr>
<td>Proportion in 1973 lists %</td>
<td>51.47</td>
<td>25.89</td>
<td>13.06</td>
<td>9.58</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Modern houses are expected to rise more than old, and flats and maisonettes should be closer to the value of houses than at present. Commercial property in London shows large increases. Increases tend to be greater in the Midlands and East Anglia which were previously low, so that geographical variations throughout the country will be smaller than at present.

3. The new valuation lists have to be published before the end of the year, but to meet specific provisions relating to the rating of the electricity industry regulations requiring affirmative resolution in both Houses must take effect before 15 November. These regulations, which will disclose the average increase in all rateable values, must be laid immediately after the recess to avoid risk of failure to comply with the statute.
4. The new values do not in themselves mean higher rate bills, because rates in the pound should be reduced correspondingly. However there will be a gap of several months after the publishing of information on the increases in values before the public will know the new level of rates, and unless special measures are taken to reduce misunderstandings considerable public alarm and criticism is to be expected during this period.

5. Avoidance of these difficulties by postponement of valuation is not a practical solution for the following reasons:-

a. Immediate legislation would be required to authorise postponement.

b. We have no alternative for rates as the principal source of local revenue, but the rating system will cease to be viable without regular revaluations.

c. Postponement would be vigorously attacked by local government as a political manoeuvre.

d. The valuation lists are now virtually complete, many of them being currently processed on local authority computers, and have involved nearly three years work for the Valuation Office.

e. Postponement by one year to 1974 would create intolerable problems for the new local authorities, because appeals immediately following revaluation cause some uncertainty about the total yield from rates. Postponement to 1975 would not be much better.

6. I would propose to launch a publicity campaign of explanation, but I must warn my colleagues that there will be some hostility to the announcement. In view of the difficulties outlined in paragraph 5, however, I seek their agreement that the implementation of revaluation should proceed.

PW

Department of the Environment

3 October 1972
Development and Compensation - Putting People First: Draft White Paper

Note by the Secretary of State for the Environment

1. At the meeting of the Home and Social Affairs Committee on 14 September, I was invited to complete the drafting of the White Paper on Development and Compensation in the light of the points made and to circulate it to the Cabinet.

2. The revised draft White Paper is now attached. In the absence of any comments from my colleagues, I will assume that the Paper has their approval, and I will arrange to have it published, subject to final minor drafting amendment, on Tuesday 17 October.

P W

Department of the Environment

5 October 1972
CHAPTER 1 THE NEW APPROACH

1. The Government is committed to enhancing the quality of everyday life in Britain. In doing so a balance must constantly be struck between the overriding duty of the State to ensure that essential developments are undertaken for the benefit of the whole community and the no less compelling need to protect the interests of those whose personal rights or private property may be injured in the process.

2. This dilemma is at the heart of contemporary political debate. Sometimes the State is seen as playing the role of a juggernaut, putting roads before homes, riding roughshod over the rights of individual citizens. At other times, the private owner is condemned for "selfishly" holding up a much needed development. Yet nearly always, the conflict is not between public (or private) right and private (or public) wrong. It is a conflict of right with right - the public's undoubted right to have a new road or school or waterworks and the private person's right to enjoy his home and garden, undisturbed.

3. As population increases and living standards rise, conflicts of this kind are increasing in number and intensity. All of us want freedom to travel by car and aeroplane and we want good public services; at the same time none of us is content to lose our home, or to live within sight, sound and smell of heavy traffic, or to endure the roar of aircraft overhead. Yet providing the community with the services it wants is coming to mean just this for increasing numbers of people. Not surprisingly they resent it.

4. Since the Government took office, two major far-ranging studies of this subject have been completed. They deal with ways to prevent damage and, when full prevention is impracticable, how to compensate for it. One is the comprehensive report which has been prepared by the Urban Motorways Committee, set up to examine and review present policies used in fitting major roads into urban areas. Their main
The report has now been published and a full supporting technical report will be published by the turn of the year. The other is a full scale review of the compensation code which applies when public development requires that land and homes must be taken, where the prospect of such development creates problems of blight and where that development depreciates the value of neighbouring property.

5. Both these studies, which were closely related and interlocked in their final stages, have given clear priorities for the steps which must now be taken. The Government believe the time has come when all concerned with development must aim to achieve a better balance between provision for the community as a whole and the mitigation of harmful effects on the individual citizen. In recent years this balance has been tipped against the interests of the individual. A better deal is now required for those who suffer from desirable community developments. The Government is determined to provide this better deal.

6. The answer is not to stop community developments that make life more comfortable, convenient and pleasant. To do that would simply deprive many people of the opportunity of a better environment. The answer must be to plan new developments so as to minimise the disturbance and disruption they can cause, and to improve the compensation code to alleviate any remaining distress.

7. Eight principles underlie the Government's proposals:
   i. Harmful impact on the immediate surroundings must be alleviated by comprehensive planning and remedial measures.
   ii. Noisy and unattractive public developments must, by better planning, be separated from people and their homes.
   iii. Damage to visual amenity by large-scale public works must be minimised by good pleasing design.

iv. Noise, smell and other forms of pollution must be reduced to a minimum at source - if it is practicable, eliminated.

v. Where, in spite of these efforts, damage still is done to individual amenities, reasonable compensation must be provided for those who suffer injury.

vi. The processes of inquiry and decision on projects, compulsory purchase and payment of compensation must be thorough but concentrated in time and must be conducted so as to minimise blight and the hardship this entails.

vii. No time must be lost in carrying through the new approach to design and planning, to remedial works and sound insulation, to acquisition and compensation.

viii. People threatened by, or suffering from, the effects of public works must be told, in an understandable way, their rights and the help which is available to them.

8. These principles underlie the proposals set out in this White Paper. First, as the Urban Motorways Committee Report has advocated, there must be a new approach to highway building. The Government's proposals are set out in Chapter 2 and will also apply to other sorts of public development besides roads. Second, a number of improvements are urgently needed in the land compensation code. These are described in Chapter 3. Finally, as set out in Chapter 4, action must be coordinated by all those concerned with protection against assaults on the senses and with the control of development and with planning and design.

9. These measures will mean that some kinds of public development will cost more. Hitherto some of the wider results of development, such as severance of communities and loss of amenity, have been paid for by the people whose properties have been adversely affected. In future more of these costs must fall on the community at large through the authorities responsible for the development, such as highway authorities, airport operators, statutory undertakers and the Government itself, as they provide design solutions which give better protection to the environment, as they carry out remedial works and as they more fully compensate those whose land they take,
or whose property is depreciated as a result of their activities. The Government believe it is right that each authority should bear in this way a larger proportion of the costs that are involved in providing for the needs of the community.
CHAPTER 2 DEVELOPMENT PROBLEMS AND REMEDIES

Roads and Traffic

10. The biggest day to day environmental problem facing most people in our towns and cities today is that of living with traffic. Since the war and especially over the last 10 years or so, there has been an enormous increase in the number of vehicles, particularly cars, on our roads. There are at present about 15 million vehicles in use. By the end of the 1970s this figure may well have risen to about 22 million. Increasing car ownership has brought great benefits, in terms of convenience and mobility, to many thousands of individuals and their families. It has also created intolerable noise, vibration, smell, congestion and risks to person and property in the many towns and villages which were not built to deal with such volumes of traffic.

11. The Government's road programme aims to achieve environmental improvements by diverting long distance traffic, and in particular heavy goods vehicles, from a large number of those towns and villages and especially the historic towns many of which are at present suffering severely from the volume of traffic. But major new roads also are needed to cope with this traffic. They will confer substantial benefits not only directly on those who use them but also indirectly on the whole community, since accessibility affects the price we pay for a whole range of goods and services. Within urban areas well designed road schemes, as well as fulfilling transport requirements, can also benefit the environment by channelling traffic so as to relieve residential roads and alleviate congestion.

12. In the planning and design of new roads considerable attention is already paid to the conservation of town and countryside, for example by the use of derelict land. But it is inevitable that new roads in towns may have to cross established residential areas, sometimes with attendant disruption to people's lives. Not only do these roads displace people living along the route, but they also affect - sometimes severely - the environment of those living alongside it by constructional nuisance, visual intrusion, traffic noise, severance of parts of existing communities and interference with access to shops, schools etc and generally by intrusion into the area and
into the surrounding landscape. Close attention must therefore be
given to the needs and convenience of the householder and the
pedestrian as well as the motorist.

13. These have been the central issues which the Urban Motorways
Committee have considered and which form the subject of their report.
The Government welcome this report. The Committee propose that in
decision-making on the line and design of such major new roads the
indirect costs and benefits which the road may generate should be
considered with as much care as is given to the direct costs and
benefits. The Committee also propose that so far as reasonably
practicable the environment should be preserved by the selection of
the line and the design of the road and by remedial works on land
adjoining it and that compensatory measures should deal with the
adverse effects which cannot be so avoided. The Government believe
this is the right general policy.

14. The Committee's more detailed recommendations to this end are
that highway authorities should have wider powers to acquire land and
carry out works and a new duty to pay for sound insulation. They
also recommend new entitlements to compensation. The Government's
proposals on these specific measures are set out later in this paper.
Changes in statutory powers and entitlements are not, however, enough
in themselves. To be effective, these changes need to be fully
reflected in a new approach to individual schemes. The Committee
emphasises that the design of the road and the necessary treatment of
adjoining areas is a single planning task and should be handled as one
operation bringing in all the necessary skills and taking account of
the opinions of those affected. The Government will adopt this
approach for trunk roads, including motorways, for which they are
responsible. But most roads in towns are the responsibility of local
authorities, and the Government look to them to adopt and follow through
this same approach. The Government accept that additional expenditure
which may be incurred as a result by local highway authorities on
grant-aided schemes, should rank for grant.

Other Public Works

15. The Urban Motorways Committee Report is concerned solely with
roads. But there are other types of public works which, desirable though they may be in the general interest, pose problems for those people who live close to them. The Government believe that the principles of good design and careful planning advocated by the Urban Motorways Committee in respect of roads apply also to other public developments. This is the approach that must be adopted by the authorities responsible for them.

16. Because a building is functional, it need not be ugly. The structural environment must blend with the natural environment. Screening may supplement careful initial design. New reservoirs for example, should preserve and improve amenity and provide recreational facilities for the communities affected. An approach of this sort, coupled with the proposed new powers described later in this chapter to buy land and carry out works and planting to improve the environment of surrounding areas, must be an important function of those responsible for major public developments.

17. The major benefits of the new provisions on compensation and sound insulation outlined elsewhere in this paper will be immediately available once legislation is enacted. But not all the advantages of the new planning approach can be gained so quickly. Some schemes are too far advanced to be substantially modified, although additional remedial action might be taken. Others still in preparation will need to be reconsidered. The Government recognise that in the short term both the period and the cost of some schemes may be increased by acceptance of the Committee's recommendations. The necessary further research into techniques of assessment and evaluation of the effects of schemes in the longer term is being promoted by the Government.

**Sound Insulation Scheme**

18. One of the most disturbing features created by a new road is traffic noise. This is particularly so where new roads cut through areas of residential development. For the reduction of noise levels the Urban Motorways Committee place the main emphasis on road design. But the Committee recognise that it may not in all cases prove possible to achieve tolerable levels by such means. They recommend that where the predicted noise level at the outside of a dwelling increases above a specified level, there should be a right for the householder to
claim and a duty on the highway authority to provide sound insulation. They also recommend that the specified limit should be kept under review, that legislation should allow for changes in the limit adopted and that discretionary powers should also enable sound insulation to be provided to reduce noise nuisance during construction.

19. The Government believe that this is the right approach. Authorities responsible for new road works must meet the cost of the necessary sound insulation. A new right to the sound insulation of livingrooms and bedrooms will be provided where dwellings will be subject to noise rising above prescribed levels as a consequence of the traffic on new roads or on roads where there have been significant alterations in the location, width or level of the carriage way. The Building Research Establishment are preparing guidance on how to calculate certain traffic noise levels. Specifications of the required sound insulation and ventilation standards are also being compiled; preliminary information about what is proposed is going to local authorities and others concerned.

20. Sound insulation schemes under existing legislation can already be made in relation to aerodromes. Schemes around Heathrow, Luton, Manchester and Gatwick are, or will shortly be, in operation.

New Powers of Acquisition and to do Remedial Works

21. One consequence of a wider environmental approach in planning public works will be that it may be necessary to acquire adjoining land in order to carry out a comprehensive treatment. This will be particularly true of roads, because of their special "corridor" nature thrusting through the existing fabric. The Urban Motorways Committee accordingly recommended new compulsory and discretionary acquisition powers. The Government intend to provide authorities with compulsory powers to acquire, as an integral part of a road scheme, property which is needed to mitigate the adverse effect on the environment of the adjacent areas and to enable works to be carried out so as to fit the road satisfactorily into its surroundings. A discretionary power for the highway authority to buy dwellings by agreement where they are
satisfied that there is serious hardship, will be sufficient to deal
with the cases where the highway authority may not need for its purpose
an individual property whose occupier will nevertheless be very badly
affected by noise or the case where houses are severely affected by
the noise and disruption of the road construction works and where sound
insulation or temporary rehousing does not provide an adequate solution.
These discretionary powers will be available up to one year after start
of use. In the case of other public works, authorities will be given
similar discretionary powers of acquisition. In addition, all public
authorities will be given powers to carry out works designed to
minimise the injurious effect on property or adjacent land and to
maintain or improve the surroundings of the development itself.
CHAPTER 3 COMPULSORY PURCHASE AND COMPENSATION

22. Despite a new emphasis in the planning and acquisition of land for public works so as to cause the minimum disruption to those living in the areas concerned and despite remedial works such as sound insulation where this is possible, some public developments will still unavoidably have harmful effects on people and their property. Since taking office the Government have studied comprehensively this problem and the views and recommendations presented to them on it. They have considered blight which arises where public acquisitions are in the offing, the extent to which the present compensation code is adequate when property is taken and the injurious affection which can be caused to property by the use of new works.

INJURIOUS AFFECTION

23. Most development, whether public or private, affects other property in its vicinity, sometimes beneficially and sometimes adversely. This is one of the normal hazards of property ownership. Where the development and its use cause a nuisance the remedy generally open to those affected is an action at common law. But some homes suffer substantial injurious affection from the use of public developments yet those who live in them have no redress because the offending activity is in the nature of a "legalized nuisance". This is particularly true when the use is for a road or an aerodrome. The Government have therefore decided that where certain property is injuriously affected by public developments close by a statutory right to compensation is needed.

24. The proposed new right will apply in respect of the use of roads and aerodromes and any other use where the statutory authorisation under which the public development is carried out and used bars an action at common law. All those with a legal interest in residential property and all owner-occupiers of farms and small businesses, provided that they acquired their interest prior to the start of use of the public works, will be eligible...
to receive compensation for any significant depreciation in the value of their property where this is caused by such nuisances as noise or smell resulting from the use of the works. Where, for example, a dwelling is depreciated significantly and permanently in value because a noisy new road now runs by or aircraft from a new aerodrome fly overhead the owner can claim for that loss of value.

25. The compensation will be measured by the depreciation in the existing use value of the claimant's interest by reference to prices current at the valuation date. The valuation date will be twelve months after the start of use of the works so as to allow values to stabilize. It will be assumed in the valuation that sound insulation, where there is a right under statutory provisions to have it installed, has been carried out. Compensation will not be payable unless the loss in value exceeds £50 and a claimant will bear the first £50 of loss. This will ensure that compensation is paid for any significant drop in value while it will exclude frivolous claims.

26. These new injurious affection provisions will not apply where there is simply an increase in the use of the works. The use of existing facilities up to their full potential capacity must always be expected, including that which may be the consequence of a road or air traffic management scheme. However, in connection with roads and airports there could be works carried out which significantly affect surrounding amenity but which could not in the normal run of things have been foreseen by those choosing to live close by. The new right will therefore apply to the use of significant alteration works as well as to the use of new works. In the case of roads, the works which may give grounds for compensation will be those which alter the location, width or level of the carriageway. This means for example that where a road is double-decked or a two lane road becomes three, the new injurious affection scheme will apply to surrounding property affected by the noise and smell. In the case of existing aerodromes, such works will be the construction of new runways and the relocation, extension or strengthening of existing runways.
27. The period within which claims can be made will be two years from the valuation date ie between one and three years after the start of use of the works. Those who sell during the year following the start of the use can register a claim before disposing of their interest in the property and any compensation for which they would have been eligible had they remained will be assessed and paid after the valuation date.

28. The cost of compensation will be met by the authority responsible for the works the use of which causes the injurious affection. There will be a right to refer to the Lands Tribunal cases of disputed entitlement both on the eligibility of a claim and on the amount of compensation.

29. It is the Government's intention that injurious affection caused by the use of new public works for defence purposes should come within the scope of these proposals but to provide satisfactorily for this by statute may involve amending the Defence Acts. Pending any such legislation, the substance of the proposals will be put into operation in relation to defence works by administrative action. The Secretary of State for Defence will also at his discretion, authorise the sound insulation of buildings which are subject to high noise levels through the use of new neighbouring defence installations.

30. The preceding paragraphs 25-29 apply where no part of a person's property has been taken from him. In addition, the Government also propose to improve the basis on which compensation will be payable for injurious affection where part only of a claimant's land is taken. Hitherto a claimant has generally been entitled to compensation only for such of the effects of the construction and use of the works as take place on the land taken from him. In future there will be provision for compensation to be based on the depreciating effect of the works and their use as a whole upon the land left to him.

31. The Government believe that their proposals for compensation
for injurious affection together with the proposals described in paragraph 21 above for the wider acquisition powers and for the related powers to carry out remedial works to fit the road satisfactorily into its surroundings should provide a fairer deal for those whose property is seriously depreciated by new developments such as roads and aerodromes, used for the benefit of the community.

**Compulsory Acquisition**

32. Apart from the period 1948 to 1958, when compensation for land acquired by public authorities was based on the principles first of the 1947 Planning Act and then of the 1954 Planning Act, market value has been the basis of the compensation code for public acquisitions for over half a century. This has in general been accepted as a fair basis and although the Government have considered carefully the arguments put forward for abandoning it, they have concluded that it strikes as equitable a balance as is possible between public and private interest. It also provides a firm objective basis of valuation. The Government therefore reaffirm their intention of retaining market value as the basis for the compensation code.

33. However, there are a number of changes which could be made to improve the operation of the code in certain cases. Some are of general application. Others apply to residential, small business or agricultural interests. These are described in the following paragraphs.

**General**

34. One of the problems in the valuation and negotiation of public acquisitions is that the process may take many months. Even taking possession is not necessarily dependent upon settlement of the amount or payment of compensation. Although interest is payable from the date when possession is taken, this does little to help a claimant who needs ready money to acquire a similar interest in an alternative property or to meet expenses incurred before dispossession.
35. The Government consider that there should be a right to advance payments of compensation. Where the acquiring authority have taken possession there is no justification for not making an advance payment if the claimant wants one. The Bill will therefore be provided that on or after entry there should be an obligation on the acquiring authority, on request from the claimant, to pay up to 90% of the amount of compensation agreed or estimated by the authority, subject to satisfactory evidence of title and adequate information on which to base an estimate. The acceptance of such a payment will not prejudice the claimant if he wishes to dispute the amount of compensation ultimately payable.

36. The Government have decided that it would not be reasonable to make it obligatory upon authorities to pay any compensation before entry to the property. But hardship may arise even before the owner is dispossessed. A recommendation will therefore be made to all acquiring authorities to make advances of up to 90% before entry if the claimant needs the money to reinstate himself before he can reasonably be expected to give up possession.

Residential Interests

37. When people's homes are acquired for public developments the occupiers who are obliged to uproot themselves suffer personal upset, discomfort and inconvenience. Owners of fit houses will of course receive the market value of their interest just as they would on a sale to a private buyer. Over and above that, they will generally be eligible for disturbance payments to meet such consequential expenses as removal costs and legal costs of obtaining alternative property. Other occupiers are usually paid their removal expenses. The Urban Motorways Committee have recommended that some extra payment, quite separate from that compensation, should be made to those people as a mark of recognition of the special hardship of compulsory dispossession from a home. Such payments, since they reflect loss of a home — something distinct from the value of the land and the bricks and mortar — would apply to tenants as well as to owner-occupiers.
The Government believe that the principle of a lump sum payment of this sort, quite independent of the payment for the interest acquired, is right. They have therefore decided that where an authority wishes to acquire houses, whether for roads or for other public works, through compulsory purchase or with the backing of compulsory purchase powers, a home loss payment equivalent to three times the rateable value (as this will be established when properties are revalued next spring) should be paid to the occupier whether he happens to be the owner or a tenant, provided he has occupied the house as his only or main residence for at least seven years before the date on which possession is taken. Where however the acquisition by the authority is at the owner's instigation, as where a blight notice is served, this entitlement will not apply. Those eligible will include farmers and small businessmen in respect of the houses they occupy. The payment will be subject to a maximum of £1500.

38. The Government have given special consideration to ways of dealing with hard cases that arise when owner-occupiers of low value houses have these compulsorily acquired and cannot buy equivalent accommodation with the compensation received. The proposals in the following paragraphs are designed to help in these cases.

39. Certain obligations are placed by statute on public authorities to rehouse residents who are displaced as a result of the acquisition of their property for public works. There is, however, no uniformity in these obligations. Some displaced residents have to rely on the goodwill of the displacing authority or the housing authority. The Government have decided that the present variable and partial legal obligations should be repealed. These obligations will be replaced by a duty to be imposed on housing authorities to rehouse any residential occupiers displaced by a public body possessing powers of compulsory purchase. But the housing authority must be satisfied that there is no suitable residential accommodation otherwise available on reasonable terms to the person displaced. New Town Corporations will continue to be responsible for rehousing as they are now under Section 22 of the New Towns Act, or Section 22 of the New Towns (Scotland) Act 1968.
40. The obligation is to be placed on the housing authority as it is best able to cope with the resultant needs. The displacing authority, where it is not the housing authority, will be required to meet any net loss incurred by the housing authority in meeting the obligation.

41. Sitting tenants of New Town Corporations and (if the owning authority are willing) of council houses can buy their houses at a substantial discount, and other people may be able to buy vacant council houses on the same terms. Owner-occupiers displaced by public developments may therefore be able to buy a council dwelling or may be eligible for a council tenancy. As a measure to help those displaced the Government will urge local authorities to meet their rehousing obligations in appropriate cases by offering council houses for sale on the most beneficial terms available under any consents given by the Secretary of State pursuant to Section 104 of the Housing Act, 1957. (Section 145(5) of the Housing (Scotland) Act, 1966 as amended by Schedule 9 of the Housing (Financial Provisions) (Scotland) Act, 1972).

42. The housing authority will be regarded as having discharged its obligation to any displaced occupier who does not wish to become a council tenant if it makes him a loan to enable him to buy another house. Owner-occupiers displaced in these circumstances are already included in one of the specified categories of borrowers under the arrangements for local authority lending introduced by DOE Circular 22/71, Welsh Office Circular 53/71 and SDD Circular 26/71. The Government regard this type of borrower as having a very high priority for any mortgage finance available.

43. The Government will encourage local authorities to make mortgage advances on the most helpful terms possible, as to duration, amount and repayment, to displaced owner-occupiers of low value property. Local authorities will be given a discretionary power to grant 'interest-only' mortgages to people in this category who might otherwise be unable to purchase
satisfactory alternative accommodation. This 'interest-only' mortgage (the kind where interest alone is payable during the life of the loan, and the capital is repaid not by instalments but in full on the eventual termination of the loan), could be especially helpful to the elderly owner-occupier with a limited income because the periodic payment under such a mortgage is of course less than under the usual instalment-repayment mortgage involving periodic repayment of capital as well as interest.

44. The Supplementary Benefits Commission have indicated that they would meet the interest charges on any type of local authority mortgage entered into by a displaced owner-occupier entitled to supplementary benefit at least to the level of the "fair rent" for comparable unfurnished accommodation in the locality to which he decides to move.

45. The market value basis of compensation does not apply to a house that is declared to be unfit for human habitation. When it is acquired for demolition, compensation is restricted to the value of the site cleared of buildings. Most owner-occupiers however are not entitled to a supplement bringing the sum received by them up to market value. In the case of tenanted houses (and some owner-occupied houses) an unfit house that is being acquired at site value but has been kept in good repair, in spite of its inherent unfitness, will attract a "well-maintained" payment. At present this can be equal to four times the rateable value of the house if it has been wholly well-maintained (7 1/5th times the rateable value in Scotland), or to twice the rateable value if either the interior or the exterior only has been well-maintained. The apportionment of these payments between landlord and tenant is a matter for the local authority. To encourage owners of houses which are approaching the end of their lives to keep them in as good repair as possible, the Government propose to increase the amount of payment for good maintenance, subject - as at present - to the limitation that these payments cannot, together with the sum payable for site value, exceed the market value of the property as a house.
46. It is the practice of a few local authorities to reduce the compensation paid for properties acquired from those owner-occupiers who are rehoused in council houses. The Government are of the view that the acceptance of a council tenancy by a displaced owner-occupier in housing need should not involve the abatement of the compensation statutorily due to him, and propose therefore to prohibit this practice.

47. As part of the Government's general policy of helping the disabled to live a normal life within the community, they propose that where a dwelling has been substantially modified for a disabled person, such a claimant will have the option to have his compensation assessed upon the basis of the reasonable cost of equivalent reinstatement, subject to the general rules which apply to this form of compensation.

48. Finally, removal expenses for those residential occupiers who have no compensatable interest in land will be made payable as of right. This means that they will no longer be dependent on the goodwill of acquiring authorities for the payment of such expenses caused by the dispossession.

Business Interests

49. The Government have given careful consideration to the needs of owners of small businesses (that is to say, business premises with a rateable value currently not exceeding £750 in England and Wales or £1500 in Scotland) and to the views of the Bolton Committee of Inquiry on Small Firms (Cmnd 4811). These owners can encounter particular hardship as a result of compulsory acquisition.

50. The Government accept the recommendation of the Bolton Committee that S32(1) of the Landlord and Tenant Act, 1954 should be repealed to enable the short term tenant's right to renew his tenancy to be taken into account in assessing compensation.
51. There is a group of unprotected business tenants (e.g., tenants holding over and licensees) who have no statutory right to compensation following compulsory purchase action. They should not have to rely on the discretion of the acquiring authority for disturbance compensation. They will therefore be included in the proposal in paragraph 48 above and for trade loss as well as removal expenses.

52. Provision will be made for the owner-occupier or tenant of a small business (or all of them if more than one) who is over 60 and decides to give up business following compulsory acquisition, to opt to claim compensation as if his business was extinguished because no other property was available in which it could be re-established.

53. As the Bolton Committee have pointed out, difficulties can arise where the only alternative premises available are larger or more expensive than those compulsorily acquired. The Government looks to local authorities to bear in mind the needs of small businesses in planning their redevelopment, and to use their existing powers fully to give sympathetic treatment to those who are being dispossessed.

54. The proposals outlined above, together with the right to claim compensation for injurious affection due to noise and smell, the 90% advance payment system and the improvements in the blight provisions proposed in paragraphs 58 - 64 below add up to a better deal for small businesses affected by compulsory purchase. Where premises are used for both residential and other purposes, both owner-occupiers and tenants will also benefit in respect of the residential part of their premises, from sound insulation and the home loss payments.

Agricultural Interests

55. The Government have considered the representations made on behalf of agricultural interests about the operation of the compensation code as it applies in their particular circumstances.
A number of the general improvements proposed will be of benefit to agricultural interests, notably the home loss payments, advance payments of compensation, the improvements in the blight provisions and the new proposals for compensation for injurious affection and for sound insulation. In addition two measures of particular application to agricultural interests will be introduced.

56. The first relates to the owner-occupiers temporary loss of yield, that is to say, the disturbance incurred when a farm undertaking has to be re-established elsewhere. Because of the long timescale of agricultural production, its peculiar dependence on land and the complex effects of climatic and other factors on yield, owner-occupiers who lose the whole of their holdings and have to move to unfamiliar land may be faced with temporary unavoidable losses in yield. The Government have decided to make provision for additional payments equivalent to one year's net farm income in recognition of these losses. These will be payable to owner-occupiers who are compensated on the basis of the agricultural value of their land and who within 3 years of dispossession engage in the farming of other agricultural land in which they previously had no interest.

57. The second relates to the severance of agricultural land. The Government propose that where agricultural land is taken the owner shall have the right, comparable to that already available for other sorts of land, to require the authority to acquire the whole of the unit he owns if the remaining land is not reasonably capable of being farmed as a separate holding on its own or in conjunction with other land farmed as part of the same unit or in his ownership. This right will apply similarly in respect of blight notices. Tenants will also be given a parallel right to require enlargement of notices of entry. These new rights should be particularly helpful in reducing difficulty in cases of severance such as sometimes occur in connection with reservoirs and new roads.
BLIGHT

58. When public development is mooted property falls in value or even becomes unsaleable if it is known, or believed, that it will be acquired in the future. Other property may temporarily lose value because it is feared that it will lose amenity when the works are built - what is known as 'blight by proximity'. The measures taken to implement the Urban Motorways Committee's Report will help to tackle this problem at source by acquiring and dealing with the adjacent properties as part of the treatment of the highway generally. Blight is a serious problem for those who wish to move house. Where the cause is impending acquisition this has been recognised in the statutory entitlements whereby statutory blight notices may be served requiring the development authority to purchase certain types of property in advance of need. The proposals outlined in paragraphs 23 - 31 will assist where blight by proximity becomes injurious affection.

59. One of the special difficulties associated with blight is the very long time span over which it can occur, and the large areas it can affect when a number of options are known to be under discussion. The Government have given their views on the Skeffington Report recommendations and have advised local authorities about how these are to be pursued (DOE Circular 52/72 and Welsh Office Circular 104/72). But public participation although necessary and desirable is not without its dangers in that it can increase the risk of blight. As long as the options for public development schemes are open for discussion, the threat of compulsory acquisition will hang over all the property that might be affected even though there is no certainty that any particular scheme will go ahead. This is one of the reasons why the Government have strongly advised local authorities first to narrow the options discussed to those that are realistic and second to avoid an excessively long drawn out process of selection.

* People and Planning. HMSO 1969
60. Where it is nevertheless inevitable that a degree of blight is created, and there is a reasonably firm prospect that particular property will be required, the Government intend to improve the right to demand that there should be public acquisition in advance of need. The advice given to local authorities in NHULG Circular 46/70 (Welsh Office Circular 48/70) and Scottish Development Department Circular 69/71 will be given legislative force. The Government will create a statutory right for owner-occupiers of houses, small businesses, and agricultural interests to require public authorities to buy their properties in the circumstances listed in those Circulars (see Appendix A). This will not affect the amount of compensation individuals receive, but where certain local authorities have been reluctant to use their discretionary powers in advance acquisition, the citizen whose property is blighted will be entitled to demand that earlier relief.

61. Similar property in areas covered by a draft or substantive New Town Designation Order will be brought into the scheme. Although development corporations give sympathetic consideration to requests for advance purchase, this is not enough. Owner-occupiers in the categories described in paragraph 60 within such areas will now have a right to serve statutory blight notices from the first formal stage in the establishment of a new town. As a counterpart to this Section 11 of the New Towns Act, 1965 — which gives any owner of land in a new town designated area the right to require the development corporation to acquire it at any time from seven years after the designation order — will be repealed.

62. There is a further category of people who have suffered serious problems without any remedy being available to them under the blight provisions. These are owner-occupiers of property in clearance areas declared under Part III of the Housing Act 1957 (in Scotland, owner-occupiers of property to be demolished in a housing treatment area declared for clearance under Housing (Scotland) Act, 1969). In future they will be entitled to require the local authority to buy their houses and will not have to wait — often for lengthy
periods - for a compulsory purchase order to be made and confirmed.

63. The Government propose to make a minor change in the present blight rules so that personal representatives of deceased persons may qualify to serve blight notices.

64. The Government also propose to drop the requirement which makes it necessary for an owner who has tried unsuccessfully to sell on the open market before his property comes within the statutory blight category to try again after that event.

65. Finally, where there are changes in acquisition rights there will be the necessary corresponding extensions in blight entitlements. For example, blight notices will be capable of taking into account the wider powers of compulsory land acquisition proposed for highways, or the right of agricultural occupiers to require enlargement of notice to treat where the remaining land is not capable of being farmed as a separate holding or in conjunction with other land.
66. The Government's proposals are designed to strike a new balance between development to serve the community as a whole and the mitigation of any adverse effects on the individual citizen. Some of them will be achieved by administrative action, but others require legislation. The Government therefore intend to introduce a Bill as soon as possible in order to provide the necessary powers and obligations. Any uncertainty that the announcement of the Government's intentions to enact the necessary legislation might bring to the land market must be minimised. At the same time as many people as possible should be eligible for the improved entitlements. The provisions of the Bill as to compensation for acquisition will therefore apply to all transactions where possession is taken and compensation is agreed or determined on or after the date of this White Paper. No settlements need meanwhile be held up on this account. Claims can be made and interim agreements be reached on the basis of existing law; when the new compensation rights are enacted, any additional compensation payable will then be settled.

67. In the case of the injurious affection scheme, however, since this new statutory right will involve a claim period extending to three years after start of use, the Government have decided that claims may be made in respect of developments coming into use within three years before the date of this White Paper as well as those coming into use thereafter. Injurious affection compensation may therefore be payable in respect of all dwellings seriously affected by public works coming into use on or after 18 October 1969. This will mean that many of the hard cases that have arisen while the UMC completed their work and the Government reviewed the whole land compensation code will qualify for compensation. Claims will be eligible following enactment of the necessary legislation. Where land for such schemes has been acquired and compensation for the effects of the part of the works on the land taken has already been paid, it will be open to those owning the land affected to make a claim for any additional injurious affection compensation which the new scheme will offer them.

68. Running with this proposed entitlement to injurious affection compensation, powers will be provided to enable authorities, at their discretion, to sound insulate certain properties affected by...
schemes coming into use from 18 October 1969 onwards. The Government intends that the statutory right to sound insulation described in paragraph 19 should be available in respect of schemes coming into use from the date of this White Paper onwards.

69. Where Government Departments already have the necessary discretionary powers these will be used to give effect to the Government's proposals. Local authorities and other public bodies are being asked to make similar use of existing powers, particularly in respect of rehousing, disturbance payments, advance payments of compensation, and blight acquisitions. Other circulars of guidance will flow from the positive planning principle outlined at the beginning of this White Paper. It is essential that there should be early and universal recognition of the importance of separating people and their homes from noisy and unattractive developments; where this is not possible, the design must minimise the harm.

70. It will be important that those entitled to the new rights should know all about them. The problems and fears of many of those whose property lies in the path of, or close to, public works stem from uncertainty and lack of knowledge of their rights to compensation and of the help available to them in connection with this and the business of finding a new home. It would help many of them to have more information about the processes of public development and how those affected may have their properties acquired or sound insulated, receive compensation and get help with rehousing. The Government will issue notes of guidance as soon as the new provisions are enacted. Public authorities will be asked to make these widely available to all those affected by their proposals and to consider meanwhile how this information may be supplemented through personal contacts, for example in housing advisory centres, nominated liaison officers, citizens advice bureaux etc.

71. SUMMARY OF CONCLUSIONS

1. A better balance must be achieved in public development between provision for the community as a whole and the mitigation of any adverse effects on the individual citizen (para 5).

2. This means a new approach to planning public projects, based on eight principles (Para 7).
3. The Government endorse the general policy on major road construction recommended by the Urban Motorways Committee.

A new approach to the design and treatment of roads is needed and will be adopted by the Government for trunk roads including motorways. They look to local authorities to follow through the same approach, and additional expenditure to this end on grant-aided schemes will rank for grant. (pars 13 and 14)

4. A similar approach should be adopted by those responsible for other types of public works (para 15).

5. Powers will be provided with respect to sound insulation of dwellings where new roads and certain other highway works are excessively noisy, the full cost to be met by public authorities responsible. (para 19-20)

6. Highway authorities will have wider powers of compulsory purchase to enable them to plan roads more comprehensively within their surroundings. Discretionary powers will be made available to public authorities to acquire other property severely affected during the construction of works, or when they come into use, and to carry out remedial works. (Para 21)

7. A new right to compensation will be provided for certain categories of people from whom no land is taken and who have no rights at common law when their property is injuriously affected by the use of public works. In practice this will mainly mean the use of roads and aerodromes (paras 23-29).

8. The basis of compensation for injurious affection where part of a property is taken will be improved (para 30).

9. Market value will continue to be the basis of the compensation code (para 32).

10. An obligation will be imposed on acquiring authorities to make 90% advance payments of compensation on or after entry and they will be asked to consider sympathetically requests for advance payment before entry where the claimant needs this to reinstate himself (para 35).
11. A home loss payment independent of the interest acquired will be made to householders displaced by compulsory acquisition (para 37).

12. A duty will be placed on housing authorities to rehouse any residential occupiers displaced by a public authority where there is no suitable other accommodation available. The displacing authority will meet the cost (para 39).

13. Local authorities will be urged to offer council houses for purchase on beneficial terms to those whom they have a duty to rehouse (para 41).

14. Local authorities will be urged to give high priority for mortgage finance to displaced owner-occupiers of low value property and a new power will be provided to enable local authorities to offer "interest only" mortgages (paras 42-43).

15. Well maintained payments will be increased (para 45).

16. There will be statutory prohibition against abatement of compensation where an owner-occupier is rehoused in a council house (para 46).

17. Where a dwelling has been substantially modified for a disabled person, claimants will have the option of having compensation based on the reasonable cost of equivalent reinstatement (para 47).

18. Statutory entitlement to expenses in removing will be provided for residential occupiers who have no compensatable interest in land and for unprotected business tenants (paras 48 and 51).

19. S39(1) of the Landlord and Tenant Act 1954 will be repealed (para 50).

20. Elderly owner-occupiers and tenants of small businesses will be able to opt to claim compensation on extinguishment of business terms (para 52).

21. Local authorities in planning redevelopment will be encouraged to bear in mind the needs of small businesses and to give sympathetic treatment to those dispossessed (para 53).
22. Dispossessed owner-occupiers of agricultural holdings who move to a new farm will be entitled to additional payments to recompense for the special difficulties incurred in undertaking the farming of unfamiliar land (para 56).

23. Owner-occupiers and tenants who lose part of their agricultural holdings will be entitled to require acquisition of the whole if the remainder is not capable of being farmed as a separate holding or in conjunction with other land. (para 57)

24. Statutory backing will be given to the blight categories recommended in MHLG Circular 46/70 (para 60).

25. The circumstances in which acquisition may be required will be extended to cover draft designation orders for New Towns (para 61).

26. Declaration of clearance areas under Part III of the Housing Act 1957 will be grounds for a blight notice (para 62).

27. Personal representatives of deceased persons will be enabled to serve blight notices (para 63).

28. It will no longer be necessary for an owner who has tried unsuccessfully to sell before his property comes within the statutory blight category to try again after that event (para 64).

29. A Bill will be introduced as soon as possible to provide the necessary powers and obligations. This will provide for the new acquisition terms and powers to apply as from the date of the White Paper. (para 66).

30. A new right to injurious affection compensation will be created with eligibility in respect of all schemes coming into use on or after 28 October 1969 and authorities will be given discretionary powers to provide sound insulation in respect of such schemes. The statutory entitlement to sound insulation for highway noise will apply to schemes coming into use from the date of the White Paper onwards (paras 67-68).

31. Government Departments with the necessary discretionary powers will meanwhile give effect to the Government's proposals on rehousing, disturbance payments, advance payments of compensation and blight acquisitions and other authorities will be urged to act similarly (para 69).
32. More information needs to be directly available to those affected by public developments and the Government will prepare notes of guidance for use by public authorities as part of an improved liaison service with those concerned (para 70).
(i) land allocated for the purposes of any functions of a local authority or statutory undertakers in a proposed amendment to a development plan submitted to the Secretary of State, or land defined in such an amendment as the site of proposed development for the purposes of any such functions;

(ii) land indicated in a structure plan submitted to the Secretary of State (including for this purpose the Greater London Development Plan) either as land which may be required for the purposes of any functions of a local authority or statutory undertakers, or as land which may be included in an action area;

(iii) land allocated for the purposes of any functions of a local authority or statutory undertakers in a local plan copies of which have been made available for inspection under section 12(2) of the Town & Country Planning Act, 1971 (Section 10(2) of the Town & Country Planning (Scotland) Act, 1972) or land defined in such a plan as the site of proposed development for the purposes of any such functions;

(iv) land required for the purposes of a special road scheme or side road order made under section 11 or 13 of the Highways Act, 1959 and submitted to the Secretary of State for confirmation.

(v) land in respect of which a compulsory purchase order has been submitted to a Minister for confirmation;

(vi) land indicated in a plan (other than a plan falling within (i)-(iii) above) which has been prepared as a basis for the planning of development in an area and approved by a resolution of the local planning authority, as land which may be required for the purposes of any functions of a local authority or statutory undertakers;

(vii) land in respect of which a local planning authority have
resolved to take action so as to safeguard it for development which may be carried out on that land for the purposes of any functions of a local authority or statutory undertakers.
1. I attach for the information of my colleagues the draft of a Green Paper which has been agreed by the Ministers principally concerned.

2. The adoption of the common agricultural policy and the greater competition within the enlarged Community are likely to bring about some changes in agricultural and horticultural marketing. The industry has been expressing some concern and uncertainty about this. Although the Green Paper deals mainly with first-stage marketing by farmers and growers, better marketing at this stage can help to reduce the total cost of marketing and distributing food and to provide the consumer with better value for money. The Paper sets out the issues as a basis for discussion with interested bodies during the autumn.

3. I propose to publish the Green Paper on Monday 9 October.

J P

Ministry of Agriculture, Fisheries and Food

6 October 1972
Agricultural and Horticultural Marketing
INTRODUCTORY NOTE

1. This Green Paper is a consultative document. It is published at the same time as the report of the Committee of Inquiry on Contract Farming (Cmnd. 5099). This will give Members of Parliament, the industry and public a chance of considering these issues in the wider context of marketing.

2. The Government accepts the Committee's judgment of contract farming and that producer groups and second-tier groups need developing. The Green Paper suggests marketing objectives. It proposes how they might be achieved. It sets out the action which may be needed to encourage good marketing developments. It invites views on organisation.

3. Consultations will be held with the principal trade associations and bodies concerned. Any written comments should be sent to Marketing Policy Division, Ministry of Agriculture, Fisheries and Food, Whitehall Place (West), London, S.W.1, by 31 December, 1972.
I. BACKGROUND: THE PATTERN OF CHANGE

1. Marketing matters to you. If you are a farmer or grower, it can determine your income and how much you sell. If you are a merchant, trader, processor, manufacturer or retailer, your business may depend on it. We are all consumers, and it affects the cost, choice and quality of what we eat. It will certainly be even more important when the United Kingdom is a member of the European Community.

2. Farmers in Britain are second to none in producing the goods, and the industry is now in a confident mood. Output, especially of livestock, is increasing. The Government has also played its part. It has made available the resources to sustain expansion. British agriculture and horticulture have the technical skills and the confidence to take advantage of the opportunities for higher output in the enlarged Community. But a production policy is only half a policy if it is not wedded to effective use of resources in marketing.

3. Marketing is important all the way from the farm gate to the shop. This Green Paper deals mainly with the first stage of food marketing, when farmers or growers dispose of their produce. It therefore concerns producers and the first buyers of their goods. But better marketing which combines co-operation at the first stage with vigorous competition at the later stages can also give other benefits. It can help to reduce the total cost of processing and distribution and to hold down prices in the shops. It can improve the range, quality and presentation of goods and give the housewife a better chance of finding what she wants.

4. This Green Paper sets out the Government’s ideas on the ways in which marketing might be developed. It complements the report of the Committee of Inquiry on Contract Farming and puts it in a wider context. The industry will now need to decide what it thinks about these questions and what it ought to do.

5. There are many reasons why those concerned with agricultural and horticultural marketing should be taking stock and thinking about the future. Two are particularly important. First, the system of agricultural support and the trading circumstances will be quite different when the United Kingdom is in the European Community. Now there are commodity guarantees, and the United Kingdom is a national market. But for products covered by the common agricultural policy there will be no longer a national but a Community market. The common policy sets no support prices or a low level of support price for some products: producers must rely on their returns in a highly competitive situation. For other products there will be target or guide prices supported by intervention. But it will not be in farmers’ long-term interest to produce goods only for sale to the Intervention Board. They should aim to get a good return from the market.

6. Secondly, big changes are already taking place in the food market. First-stage marketing needs to keep pace with them. Farms are becoming bigger and the enterprises more specialised. Food manufacture and

* Agricultural and horticultural produce which is not for food or industrial use may be differently marketed but some of the arguments in this paper apply to it also.
distribution is being concentrated into fewer hands. The pattern of consumption is changing, particularly in favour of foods which are conveniently prepared.

7. Year by year the housewife can see in the High Street and on the label the evidence of concentration in food manufacture and retailing. Many small firms will continue to thrive through specialisation and good service. But those engaged in first-stage marketing have to deal with fewer trade buying points.* Grading is being adopted more widely. Better methods of specifying and describing products of different qualities are being worked out.

8. The buyers of farm produce are becoming fewer. They will also be more selective. They will look more and more for goods in bulk or of a kind suitable for specialised handling or processing. Penny lots or unreliable quality will not satisfy them. The farmer or grower who wants to supply these outlets will have to meet tight specifications. Getting rid of goods which do not match the demand, either by reducing the price or by finding an alternative market, will be more difficult than it is now. But not only the farmer will be at risk if the produce is not up to the specification. Some manufacturers and distributors will have a big investment in specialised equipment or labour. They will be dependent on an assured supply of their raw materials.

9. These changes could result either in more vertical integration, by which the buyer ensures control of his source of supply, or in more direct selling under some form of contract. Fewer buyers will be able to accept the risk that in the open market or in spot transactions they will not get what they need.

10. If a processor decides to set up a fully integrated farming and processing business, he directly controls the farming operations. In some circumstances this makes good sense. But those who represent farming interests in many countries have been alarmed that there might be a very rapid increase in vertical integration. This is not probable. The type of land, the control of disease, the best use of labour and other factors determine how a farm can be most efficiently run. Many farming businesses must combine different enterprises. They do not therefore fit very easily into a single vertically integrated business.

11. First-stage marketing seems bound to develop through more planned buying and selling by two separate parties. The relationship between the two parties is at the heart of good marketing in the future. They will remain independent. They will become more and more interdependent.

II. OBJECTIVES

12. The consumer is dictating these changes. Marketing objectives must make sense in the changing circumstances. The Government now sees three main objectives for the industry. First, buyers should be able to obtain,

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* It was estimated by the Nielsen Researcher Vol. 12, No. 2 of March/April 1971 (A.C. Nielsen Company Limited) that only 647 trade buying points covered about 80 per cent of the grocery business in Great Britain in 1970 and that the number of those buying points (co-operative societies, head offices of multiples and wholesalers serving independent grocers) fell by about 13 per cent in a year.
wherever possible, a continuing supply of goods of the type and quality required. Our marketing arrangements now are well designed to dispose of everything available at a particular time at prices which the market will then bear. But more and more goods will be bought and sold in quantities and qualities planned in advance. Production on a farm or holding cannot always be controlled in this exact way. A crop of potatoes does not contain only those big enough for baking or those round enough for canning or those long enough for chips: and the crop will vary in size and in composition according to the weather. The challenge for marketing now is to match varying output with increasingly planned buying.

13. Secondly, there must be a reliable method of letting the producer know what the buyer wants. Contract farming is a valuable way of doing this. The Committee has made some specific recommendations for the best development of this method of marketing. It favours the more simple marketing contracts rather than those which transfer some of the producer’s normal management responsibilities into the hands of the buyer. It supports contracts based on tonnage rather than on acreage. Subject to this, it reports very favourably on contract farming. It concludes that, through avoidance of waste and more orderly marketing, contract farming improves the service to the consumer and is virtually the only marketing system which is geared to meeting exacting quality requirements.

14. Thirdly, there should be a fair balance between buyers and sellers. This is not only a question of the size of the business enterprises. If contract farming is to go ahead, both parties to a contract must have the necessary financial, technical and marketing knowledge. The aim is to have for the period of the contract a reliable supply of a product of reliable quality. A contract which does not work in practice is a marketing failure.

III. PRODUCER GROUPS, MARKETING UNDER CONTRACT AND JOINT VENTURES

15. The industry will need to decide how far existing arrangements will meet these objectives. Between the farm gate and the consumer there will always be different marketing problems for the individual products. The practical problems of handling and processing are set by the product itself. Animals have to be slaughtered. Meat may have to be chilled, milk heat-treated, grain milled, vegetables cleaned or fruit stored. But there is a single difficulty at the first stage of marketing for almost all farm products. The output of one farmer or grower will be less and less sufficient to meet the demands of buyers for bulk supply of specified quality. Better arrangements will be needed in order to bring together the goods. Many farmers and growers have already recognised this. Marketing boards, co-operative associations and other producer groups do this job.

16. The existing marketing structures, such as livestock auctions or wholesale horticultural markets, will continue where the need is shown. But more producers will now be grouping together in order to sell their produce. Different views are held on the best way to achieve this. In the new marketing circumstances of an enlarged Community the arguments for and against compulsory or voluntary participation in producer groups should be examined again.
17. The agricultural marketing legislation of the 1930s was aimed at regulating the supply of produce on the domestic market. Where necessary, there could be a measure of import control in the producer's interest. In practice, the marketing boards have generally developed their commercial markets on similar lines to other large producer organisations in many countries. Milk marketing, for example, reflects the premium for milk for consumption and the high cost of transporting liquid milk. Practical considerations of this kind will ensure that the present broad pattern of milk marketing makes sense in the enlarged Community.

18. For those commodities* which are handled by boards, the marketing system is now solidly based on their work. They have the skills and the organisation. They have done a first-class job in creating and maintaining arrangements which generally command the support of the producers and their customers. These boards and their essential functions should continue.

19. For other commodities there are now three new factors to be considered. First, within the enlarged Community it will not be practicable to regulate on a national basis the total supply of products covered by the common agricultural policy. Producers should look not for control of national supply but for quick and effective improvement in first-stage marketing. Secondly, an important motive force behind the original concept of marketing boards was that a producers' organisation should buy everything that individual farmers produced. This was intended to secure some outlet in very hard times. But this is not the issue now. The question now is how farmers and growers can best produce and bring together for sale the goods of particular qualities or grades. Thirdly, over many years producers through co-operative associations, merchants and other traders have already developed a structure of commercial marketing for the products which are not now handled by marketing boards.

20. In order to achieve a consistent output and to meet the marketing aims through grouping, farmers or growers must be both able and willing to produce what is wanted on their individual farms. This points towards voluntary grouping on a selective basis. Competition is increasing. Early action will improve marketing. The industry should direct its efforts to improving and expanding producer groups where marketing boards do not already exist.

21. These groups, if they are properly financed and managed, now appear to offer important advantages in efficient marketing. They can feed back market information, so that it influences decisions on production and brings forward what the customer wants. They can purchase the knowledge of marketing and management which individual members do not have. They can put farmers or growers, who could not supply a contract on their own, in a position to assure a continuous supply of the right product. They can compete more effectively against or work better with big groups or large sellers in other member states. They are likely to be able to finance investment in new developments.

* That is, milk, hops and wool and, in Northern Ireland, pigs and seed potatoes. The Potato Marketing Board does not market the whole crop; the guarantee and marketing arrangements for potatoes are being separately reviewed (Cmnd. 4928, paragraph 12).
22. Producer groups play a large part in marketing in many countries. In the present European Community they have substantial shares of the market for many products. There has been a good deal of debate there about the forms of group which can best meet modern marketing needs. Some groups, such as the Sociétés d'Intérêt Collectif Agricole (SICA) in France, cover wider interests than those of producers only. In Britain producer groups have developed more slowly. There are some large producer co-operative associations, including those which supply goods to farmers as well as market their produce. But only about 9 per cent of sales off farms and holdings are through co-operative associations.

23. There are also very few “second-tier” marketing groups in Britain. Producer groups do not improve marketing only by gradually gaining more members. They do it more effectively by linking together. A second-tier group will market supplies and undertake new developments for its member groups. This makes the whole structure more flexible; for example, a specialist grain production group of a multi-purpose co-operative society could be linked to a grain marketing organisation at the second tier. Generally a production group works best if it is not too large. But a marketing organisation can often benefit from size. Second-tier groups can achieve economies of scale. They can cut costs. They can do a better marketing job than the smaller production groups themselves. The Committee has emphasised that, if contract farming is to develop well, second-tier groups are needed.

24. Second-tier groups have a role to play if they are efficient. The groups will be competing in the market place between themselves and with merchants and others. This competition will improve the service to the consumer. It is also the long-term guarantee of the health of the groups themselves.

25. The potential marketing advantages will only be realised if producer groups are well managed and know how to sell their goods. By simply creating a group producers do not themselves become marketing experts or

* The estimated percentage of output marketed by producer co-operatives is:

<table>
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<tr>
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<td>50</td>
<td>32</td>
<td>15</td>
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</table>

(1) Sold through marketing schemes.
(2) Pork.
(3) An estimated 12 per cent of livestock.
(4) Fruit and vegetables.

The estimates for the member states of the present European Community were given by Dr. Herlitzka of COGECA (Comité Général de la Coopération Agricole des Pays de la Communauté) in an address at a colloquium arranged by the British Institute of International and Comparative Law held on 2 April, 1971.
find willing buyers for everything they have to sell. They need someone who knows the market. For many commodities traders, auctioneers and merchants have this experience. The industry has to find a good relationship between producer groups and these established interests.

26. Some groups will continue to sell their goods through auctions or wholesale markets or to merchants, as many individual farmers or growers do. A livestock group, for example, may do best for its members by batching uniform stock for sale through an auction. But groups and merchants may link in new ways. A merchant may act as manager on a fee-paid basis. A group may contract to use a merchant’s services for all or part of the output. It may undertake a joint venture, such as a packing station, with a merchant or other trading or manufacturing interest.

27. There will certainly be more joint ventures. This trend is already very clear in the United States. About a quarter of fruit processed there is now in enterprises of this kind. In Britain more contract farming will make producers and processors collaborate more closely. Joint ventures, which are planned and run commercially, can make a useful contribution towards achieving the marketing objectives.

28. To sum up, the pattern of marketing should develop on these lines. First, farmers and growers will know better through producer groups what the market wants. This will help to bring forward the goods in the bulk and of the quality to satisfy the expanding outlets. Secondly, second-tier groups—the marketing co-operatives or companies of the future—will be further developed. They will achieve economies of scale in marketing. They will meet the buyers’ needs whilst safeguarding the producers’ interest. Thirdly, more produce will be grown and sold on contract. This holds out the promise of real benefits for the consumer. Marketing costs can be reduced. Quality can be improved. Finally, closer links will be formed between producers and merchants, processors, manufacturers and retailers. Joint ventures are one way of making this link, and these will increase.

IV. ACTION TO ENCOURAGE THESE DEVELOPMENTS

29. These developments are all in the industry’s own interest. The Government has examined how they might be encouraged. The issues are possible legal or financial obstacles, equity investment, commercial services and Government and Community (FEOGA) finance.

30. In paragraphs 150-152 of its report the Committee of Inquiry on Contract Farming sets out reasons why co-operatives have not gone ahead as strongly here as in some other countries in Europe. If farmers or growers want to form a group for co-operative marketing, they might normally do so under the Industrial and Provident Societies legislation. If there are any difficulties in this legislation for the effective future development of genuinely co-operative societies, clearly these should now be looked at.

31. The Government will introduce legislation as soon as time permits to raise the maximum shareholding (now £1,000) in a co-operative society registered under the Industrial and Provident Societies legislation. There are four other questions under consideration. First, should co-operatives be
able to obtain more capital from non-producers? This might have to be on preferred terms, since control would rest with the producer members. Secondly, should producers be encouraged to subscribe capital to co-operatives through funds financed from currently distributed surpluses? Thirdly, are changes needed in order to help co-operatives to invest in joint ventures with companies or other organisations? Fourthly, is there adequate provision for the operations of producer groups under the agricultural legislation giving certain exemptions from the restrictive trade practices law?

32. Those who become members of co-operative societies are entitled to expect that the arrangements should genuinely maintain the co-operative nature of the enterprise. But the Government accepts in principle that both marketing co-operatives and companies should be able to participate fully in the continuing development of contract farming and joint ventures.

33. The Committee has also argued that there is an overriding need for risk capital in marketing; that producer groups and similar ventures have suffered in the past from too little equity investment; and that this will affect them even more in the future. Farmers can usually provide collateral security for loan capital for their farming activities. This may not be so for grouped enterprises. Farmers may have enough resources to cover the risk element in the business of a producer group. The group itself, however, may not have sufficient resources to support activity at the second tier.

34. Risk capital will always be invested where the owner thinks that rewards are likely to be greatest. But producer groups must be best organised to attract the resources necessary to support development at the second tier. The Committee has forecast that, if production and marketing are well organised and co-ordinated, farming should offer investors as good a return as other commercial sectors. If so, this sort of worthwhile investment should not be held back.

35. Improved marketing needs not only finance but supporting services. Most of these services are of a commercial kind. Those who gain will meet the cost. The scale and type of service will therefore depend on what they are prepared to pay. The Committee has stressed that producer groups, joint ventures and the industry as a whole can benefit from good supporting services in four areas—better management, market intelligence, procurement and possibly arbitration on contracts. If the demand is there and commercial benefits can be expected, the industry will want to consider whether these services should be developed.

36. There is also a national interest in management and market intelligence. Co-operative associations are eligible under present legislation for grants which can improve their management, and the importance of management in co-operative projects has been widely recognised. Market intelligence is expected to play a more important role in the trading circumstances of an enlarged Community. It can improve the matching of supply and demand in the bigger market.

37. Financial aid is already being given to producer co-operative associations for a wide range of improvements in marketing. On the recommendation of the Central Council for Agricultural and Horticultural Co-operation, there are grants for investment in buildings and some
equipment. Aid is available for marketing feasibility studies and for formation costs. Key management can be aided, normally for three years, and there are grants towards management selection and training.

38. These grants should continue. The Government would also be ready to consider whether this money should be redirected in order to achieve the marketing objectives better.

39. The European Economic Community has given certain functions and advantages to producer groups. Under certain circumstances their agreements can be exempted from the Community’s rules of competition. Producer organisations for fruit and vegetables and for hops already have a role in the market support system. Community funds are available to help them. A regulation which is in draft goes further. It proposes common measures for launching aid both for a wider range of producer groups and for second-tier groups. This would make available investment aid for five years after recognition. The definition of such groups and how much help should be given remain to be settled. But, if these common measures were adopted in broadly their present form, aid to producer groups over the next five years in the Community could be substantial. Over this period for the present Community alone it could be of the order of £200 million, of which 25 per cent would be borne by Community funds (FEOGA) and the balance by member states. The operation of this draft regulation in the United Kingdom is under consideration.

40. In the meantime co-operative associations can seek aid from FEOGA under regulation 17/64/EEC for capital investment projects. Decisions on these applications are made by the European Commission. Consultation with interested bodies here on the arrangements for the submission of applications after we have joined the Community is already under way.

V. ORGANISATION

41. This Green Paper has defined marketing objectives. It has pointed to the means—groups, contract farming and joint ventures—which can help to put them into effect. It has discussed the action which might encourage these developments. It has now to consider what organisation is necessary.

42. This is not a blank page. There are already bodies actively seeking better marketing. There are also rules which determine how Community (FEOGA) or Government finance can be handled. Community aid under the draft regulation on producer groups would not be paid directly to these groups but to member states as partial reimbursement of national expenditure. Neither these grants nor United Kingdom financial aid to co-operative associations could be paid out by a body representing a particular trade or production interest. The Government will not pay for a body which is set up to advance the interests of one sector only. A body of this kind cannot properly perform national marketing functions in the interests of all parties.

43. Subject to this, farmers and growers will now judge whether they need new organisations in their own special interest. A central agency might be better than the first and second-tier marketing groups at carrying
out some tasks; examples are national advertising, research and quality standards to the point of first sale, where grading standards are not laid down by national or Community rules.

44. There is already power to create Development Councils. A Council for apples and pears is in being. Ministers can set up a Council if it is wanted by the industry and if Parliament approves. The functions which can be given to a Council include promoting the production and marketing of standard products; promoting or undertaking research for improving arrangements for marketing and distributing products; and promoting arrangements for co-operative organisations for supplying materials and equipment, for co-ordinating production, and for marketing and distributing products.* Development Councils cannot enforce membership of a producer group. They may have the power to raise levies, subject to Parliamentary approval, from everyone carrying on business in the industry.

45. Farmers and growers may however prefer to pursue their marketing aims through other organisations. In England they have recently set up Agricultural Co-operation and Marketing Services Ltd., and there are central co-operative bodies in Scotland, Wales and Northern Ireland. They have also proposed that there should be a new arrangement—the British Agricultural Marketing Development Organisation—for co-ordinating their interest in marketing boards and co-operative associations. Producers may conclude that they should build on existing organisations, with such adaptations as they may think necessary. A third-tier organisation which, unlike the first and second-tier bodies, would not trade, exists in embryo.

46. There remains the question how national marketing functions are to be organised. The Government will wish first to examine what might be achieved by existing bodies. The Central Council for Agricultural and Horticultural Co-operation is already promoting co-operation for marketing. It could now give special attention to developments at the second tier. The Industrial and Commercial Finance Corporation or a suitably adapted Agricultural Mortgage Corporation or Scottish Agricultural Securities Corporation could provide finance for marketing improvements. Loan guarantees are given by the Agricultural Credit Corporation and the Agricultural Finance Federation. Commercial sources could step up management, intelligence and procurement services. The commodity roles of the Home-Grown Cereals Authority and the Meat and Livestock Commission could remain with them. Progress in marketing is hard-earned. It needs the experience of those who are already promoting it in these ways.

47. The Committee of Inquiry on Contract Farming, however, does not consider that existing bodies are the best means of bringing about the marketing improvements which it wants to see. It looks for "a recognisable new force in the industry with an entirely fresh modus vivendi and having no old allegiances".† It has recommended that a new statutory body, the proposed Agriculture and Food Development Authority, should be set up.

* These and other functions are set out in the First Schedule to the Industrial Organisation and Development Act, 1947.
† Cmnd. 5099, paragraph 174.
48. The main tasks which it foresees for this body are:

(i) **Marketing.** The Authority would fuse with the Central Council for Agricultural and Horticultural Co-operation. It would promote first and second-tier groups. It would foster marketing under contract.

(ii) **Investment.** It would provide risk and loan capital on normal and special terms for co-operative groups or joint ventures with other bodies in food production, processing and distribution.

(iii) **Management.** It would offer central services, including personnel administration and management consultancy.

(iv) **Procurement and contracting.** This would be in the interests of processing, manufacturing and retailing buyers as well as of sellers.

The relationship between the proposed new body and the existing bodies with commodity responsibilities is left open, as the commodity role of the Authority could not be clearly defined.

49. The Committee has rightly distinguished between functions in the national interest and other commercial services for particular beneficiaries. The Committee itself thought that the various functions, although differently financed, should be undertaken by the single Authority. But it has also stated that “exactly how the operation might be mounted is a good deal less important than that the action should be taken soon and that it should be rightly conceived and directed”.* In the light of reactions to the Committee’s report and to this Green Paper, the Government will now consider whether such a body would be appropriate and valuable in the wider context of agricultural marketing and, if so, what functions it should cover and how it should be constituted and financed; or whether any necessary improvements can be secured equally well through existing bodies.

50. In general, the choice should not be limited to a new body with the whole range of functions proposed by the Committee or no changes at all. Other arrangements are possible. This will depend, in particular, on answers to these questions. Should the Central Council for Agricultural and Horticultural Co-operation be fused into a new body with a wider role in encouraging producer groups, contract farming and joint ventures? If so, should it be able to provide and, where appropriate, charge for commercial services, including management, personnel, procurement, arbitration and market intelligence? Should it have any commodity role?

51. The views of all concerned with agricultural and horticultural marketing now need to be taken into account.

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* Cmnd. 5099, paragraph 154.
VI. SUMMARY

52. Britain is entering a wider European market. There will be a different system of agricultural support. In food manufacture and distribution important changes are taking place. The industry has to look now at the best ways of developing and improving its first-stage marketing.

53. The objectives should be:
   (i) Buyers must be able to get both the quantity and quality they need. They will be looking for more bulking, stricter quality standards and more assured supply.
   (ii) Contract farming should be developed. It is a good means of letting the farmer or grower know what the consumer wants.
   (iii) There should be a reasonable balance between the buyer and seller in first-stage marketing.

54. Existing marketing channels, such as auctions, markets and merchancing, match supply to demand. They will continue. But there will be an increasing role for producer groups. If they are well managed and financed, they can help farmers and growers to adjust their production efficiently to the market. Second-tier groups for marketing will have a bigger part to play. There will be more joint ventures between producers or producer groups and merchants, manufacturers, distributors and retailers.

55. The Government has considered areas where action might encourage these developments. These areas are legal and financial obstacles; risk capital; commercial services; and Community (FEOGA) and Government finance.

56. Finally, it invites views on organisation; whether progress would best be made through existing bodies; whether or not a new statutory body on the lines proposed by the Committee of Inquiry on Contract Farming is needed; or whether any other changes in organisation would be valuable.
1. When we discussed the 1973 Revaluation for Rates (CM(72) 44th Conclusions, Minute 5) we agreed to consider further the extent to which local authorities could be induced to conform with measures of price restraint, the public presentation of revaluation and the simple re-assurances which could be given to ratepayers.

2. A separate paper (CP(72) 105) gives a preliminary appraisal of the possibilities of restraining growth in rates in 1973 through the machinery of rate support grant. It is not possible to ensure that no local authority will exceed any specific rate of increase in rate poundage nor that, as a result of revaluation, no rate bill of any ratepayer will exceed such a limit. However, in the rate support grant order for the last two years we were tougher than our predecessors and halved the rate of increase in grant percentage they had established. Moreover, next year local authorities will still be bearing extra costs from the countercyclical activities which we have urged upon them. For these reasons a more generous grant settlement than last time could be justified. This would certainly lead to lower rates than would otherwise occur and would make it possible to bring pressure on local authorities to restrain the growth in rates and not to use revaluation as an occasion to increase income. I would make this point very strongly when I meet the Local Authority Associations for the final rate support grant negotiations on 20 November.

3. It would be unrealistic to expect significant savings in local authority expenditure in 1973-74. Substantial change would require legislation and could not occur before reorganisation in April 1974. I believe that we should seek to make a large reduction in local authority expenditure then, but not by further transfer of services. We are already taking away local health services and water and sewerage services, and to take more away would be incompatible with our public commitment to stronger local government.
4. The laying of the regulations relating to the electricity industry, which are technical, may lead to little comment. I suggest that the aim should be to avoid publicity as far as possible at this time. However, if there should be adverse comment or wild speculation, I would propose to reassure by explanation that revaluation need not mean increased rate burdens, to announce our intention to be generous with grant and to hint, so far as I am able, at further measures in prospect for the relief of rates in forthcoming legislation.

5. The main, and if possible the sole, publicity campaign by Press conference and television appearance, should, I propose, be associated with the publication of the new valuation lists in December when individual ratepayers will see their new rateable values. It should be possible then to point to a generous settlement of grant which has been made and to assurances of restraint which have been obtained from local authority associations. The Local Government Finance Bill should have been introduced and will include measures for relief of rates including an extended system of rate rebates.

6. I invite Cabinet -

   a. to agree that we proceed with revaluation 1973 and that the electricity order should be laid;
   b. to agree that there should be a more generous rate support grant settlement for 1973-74 than last time;
   c. to agree that some means, other than further transfers of services, should be sought to reduce local authority expenditure from April 1974;
   d. to approve my proposals for publicity for the 1973 revaluation for rates.

PW

Department of the Environment

12 October 1972
12 October 1972

CABINET

RATE SUPPORT GRANT NEGOTIATIONS 1972

Note by the Secretary of State for the Environment

1. I attach an interdepartmental note by officials giving a preliminary appraisal of the problems which will arise in the forthcoming rate support grant negotiation for, on this occasion, the single year 1973-74.

2. The main issues which we will have to decide will be:
   
i. what forecast of total expenditure we can accept as realistic in the light of the pressures on the services, the improvements we want to see and the need for restraint in public expenditure;
   
   ii. what proportion of this expenditure should be met by grant and thus what burden to leave to be borne by rates;
   
   iii. how far to adjust the incidence of the rate burden between domestic and non-domestic ratepayers;
   
   iv. whether to make Increase Orders to cover increases in prices for past years.

3. We will not have sufficient information to take any decision on the first issue until the first stage of negotiations with the local authority associations have taken place. Proposals will be brought forward about the 23 October. Meantime I draw attention to the preliminary appraisal by officials.

4. We can, however, now take a view on issues ii. and iii - the objectives to be sought in determining the level of grant. Are we prepared to make an increase of perhaps 2 per cent or more in the grant rate in order to keep the rise in average rate poundage to a level consistent with the prices and incomes package? Paragraph 12 illustrates how this might be done.
5. On issue iv. I suggest that, in view of the obvious need to restrain the growth of rates next year, we could not deny local authorities the full benefit of increase orders.

6. I therefore invite Cabinet:-

i. to take note of the preliminary forecast of local authority expenditure in 1973-74 and later years;

ii. to agree that in determining the level of grant for next year, we should seek to ensure that the rise in average rate poundage is consistent with the prices and incomes package;

iii. to agree that increase orders should be made in respect of 1971-72 and 1972-73.

Department of the Environment

12 October 1972.
RATE SUPPORT GRANT NEGOTIATIONS 1972

NOTE BY OFFICIALS

Introduction

1. Negotiations with the local authority associations to settle rate support grant for 1973-74 will start shortly and will finish with a meeting of the associations with Ministers on 20 November. The timetable (set out in Annex A) is very tight because the order must be approved by the Commons before Christmas. In the light of exploratory official talks with the associations, Ministers will, on or about 26 October, be invited to agree on the limits within which the negotiations should be conducted. In the meantime, this paper seeks to set the context of the negotiations, tentatively forecast their course and seek the initial guidance of Ministers on some of the main issues likely to arise.

2. A note on how the rate support grant system works is given in Annex B, but it involves:

   (I) a forecast at constant prices of what the aggregate 'relevant' expenditure of all local authorities should be in the grant year having regard to the demand for services and the rate of improvements which are considered appropriate in the light of economic circumstances, and

   (II) fixing the total amount of grant to be paid towards such expenditure;

Outturn for 1971/72 and 1972/3

3. The starting point for the forecast is the outturn for the last financial year 1971/72. Total relevant expenditure was £1,154m as compared with a forecast based on the 1970 RSG Order updated by the allowances for prices already made and first estimates of those yet to be made in increase orders for price increases of £4,115m. Some further allowance for price increases will probably be justified which will reduce the difference between forecast and outturn. This variation between the forecast and the outturn is well within the margin of errors in the returns made by local authorities and in the estimation of price increases. The figures need adjustment to make them consistent in definition and price basis with the figures in the 1972 PESC report (see Annex B para 6). This gives a public expenditure outturn which will be less than £3,630m compared with the figure of £3,604.6m given in the PESC report Special Analysis. The outturn is the aggregate of the uncontrolled expenditure of 14,000 local authorities and to have been able to forecast it so accurately is very satisfactory.
However, within the total there are some variations between forecast and outturn for individual services. Spending on highways and miscellaneous local services was slightly below forecasts but that on education and health services somewhat above. The number of teachers leaving the profession was less than had been forecast, so that 3,000 more were in post in 1972 than had been expected. Unit costs of advanced Further Education are higher than had been allowed for, and authorities had not been able to reduce the overheads associated with school meals to the extent forecast as a result of the reductions in meal prices. Expenditure on local authority health services reflected the response of local authorities to the Secretary of State's requests to continue to build up these services so that they are transferred to the new health authorities in a strong and viable condition. There is no evidence that local authorities were able to achieve the £10m "efficiency" cut imposed on the forecasts in 1970.

The only evidence at present available of the probable outturn for 1972-73 is the rate estimates of the local authorities which however include the authorities allowances for the likely inflation throughout the year. In view of the experience of inflation in the period before local authorities fixed their rates, these estimates do not provide a very good basis for forecasting but were probably on the high side. On the other hand the factors leading to increased expenditure on education and health service will have continued to apply and there are indications that the new social service departments are developing more rapidly than had been thought likely. In the light of this and of the analyses of the outturn for 1971-72, the best guess that can be made at present is that 1972-73 outturn may be as much above forecast as 1971-72.

Implications for 1973-74 and later years

The PESO report envisages a rate of growth of 4.4% for 1974-75 and later years with a higher figure of 5.8% for 1973-74 mainly because of the transitional costs of local government reorganisation. Much of the growth arises from demographic factors without any improvement in services and the remainder derives from improvements generally urged on local authorities by Ministers. A recent review of the possibilities of reducing the burden of rates has shown that there is no scope for significantly reducing local authority expenditure in 1973, although some changes may be possible by 1974 as a result of changes in function such as the proposed transfer of health services from local government and of other changes in legislation on local government finance. Thus with the higher starting point suggested in paragraph 5 above, the present indication is that the outcome of the rate support grant negotiations may be a total forecast for local authority expenditure some £200-£240m above the present PESO provisions for 1973-74 of £5,935m with similar increase in later years (before adjusting for the policy changes referred to above) although the effect of some of the factors leading to higher spending in 1971/72 such as the reduced wastage of teachers, may be less important towards the end of the Survey period.
Rate Levels

7. The average level of rates levied by local authorities depends primarily on the total of expenditure and the proportion of that met by grant. In addition the rates in the pound levied on dwellings are reduced by an amount prescribed by the Secretary of State for the Environment, the loss of income to local authorities being compensated by the domestic element of grant. For the first 4 years of RSG, total grant increased by 1\% steps each year from 54\% in 1967-68 to 57\% in 1970-71, the increase being applied almost entirely to the rate reduction on dwellings which increase from £d in 1967/68 to 1s. 8d. (8.3p) in 1970-71. Over these years domestic rate poundage rose by only 2.5\% while earnings grew nearly 4\%. However in 1971-72 and 1972-73 average domestic rate poundage rose by 14.4\% and 11.6\% respectively, considerably faster than earnings. This acceleration in domestic rates is in part due to the decision in 1970 to increase grant by only 1\% steps from 57\% to 57.5\% and 58\% with increases in domestic adjustment of only 1p (from 8.3p to 9.3p and 10.3p) and in part to the increased provision that authorities have been making for inflation.

8. Each authority must decide for itself what provision to make in its rate estimates for inflation, but in making their rates for 1973 they will no doubt have in mind that even if pay increases are limited to £2 p.w. this would represent 8\% on their salary and wages bill (since many local government employees are paid less than £25 p.w.), and assuming 4\% increase in costs of goods and services (which amount to \frac{1}{3} of the total), an overall allowance of 7\% would not be unreasonable.

9. Moreover in 1973 the re-valuation will lead to some shift in incidence of rates from non-domestic to domestic property. Some further increases might be expected because authorities are likely to add a little to their rate poundages to allow for amounts which ratepayers may withhold pending settlement of appeals against revaluation, but this may be offset by reductions caused by authorities running down balances before reorganisation.

10. Thus taking into account the increased expenditure forecast in para 6, the provision for inflation suggested in para 8, and the annual increase in total rateable values of about 2.2\%, it seems likely that if no change was made in the percentage of total expenditure met from grant average rate poundages next year might rise by 10.6\% from 91.9p to 101.6p (on current valuations). Taking into account the 10\% domestic adjustment, the average domestic poundage would increase from 81\frac{1}{2}p to 91.1p or 11.8\%.

11. However, there would in any case be an expectation of at least 4\% increase in the rate of grant, in line with the progression in recent years, and if it could be shown that this was not enough to prevent domestic rates from continuing to rise faster than earnings this would establish a case for considering a 1\% increase in the rate of grant (to 59\%). With a 58\% rate of grant, the increase
being entirely devoted to domestic rates, the prospective increase in domestic rates would be from 91.1% to 89p or 9.3%, (1) and with a 59% grant it would be to 67.1p or 6.9%, (1). Only exceptional circumstances would establish a case for considering any further measures to mitigate the increase in rates in advance of any special measures which might accompany the reorganisation of local government in 1974, especially as a concurrence now would to some extent pre-empt the scope for further measures later.

12. But the priority now attached by the government to combating price inflation and, in particular, the proposals put forward in the tri-partite discussions with the CBI and TUC require consideration of the possibility of a further exceptional increase in the percentage of relevant expenditure to be met by government grant. Thus, to limit the average increase in rates to 5% would require an increase in grant percentage from 58 to 60.3% (ie about £126m extra grant) and to limit the increase to 4% would require a grant of 60.7% (an extra £136m). Due to the effect of the domestic element, the percentage increase in domestic rates would be slightly higher than the non-domestic percentage. On the other hand, to limit the increase in domestic poundages alone to 5% (leaving non-domestic to rise by the full 10.6%) would require an increase in the domestic adjustment from 10p to 16p with a grant percentage of 59.3% (an extra £69m). It would also be possible to combine an increase in grant benefiting all ratepayers with an increase in domestic element.

13. All estimates of poundages are crude averages that cover a wide range (from 57p to 137p in 1972). Moreover, the effects of revaluation on individual ratepayers may vary considerably. Nevertheless, if Ministers were to increase the rate of grant on the lines suggested above, it would be possible for them to argue that by and large they were ensuring that rate burdens should not increase by more than the agreed guidelines, and for them to bring pressure to bear on local authorities to hold down their rate demands accordingly.

14. Ministers may also wish to note that a rate support grant settlement for Scotland is also due to be made later this year and any decision taken in regard to England and Wales will have implications for that. Moreover, the settlement for Scotland will cover 1971-72 as well as 1973-74.

Increase Orders

15. Rate support grant settlement are made on the basis of the levels of prices, costs and remuneration then current and the grants are subsequently adjusted by means of increase orders to maintain their value in real terms. The Secretary of State for the Environment may

(1) These figures do not take into account the effect of revaluation (para 9 above) which will increase domestic rate burdens by a further 1%.
make an increase order if he considers that increases in pay and prices have been substantial but having decided to make an order he has no discretion over the increases in pay and prices which are taken into account. Increase orders are normally made every year.

16. Information is still being collected about the pay and price increases since the last increase orders were made in November 1971. First estimates of those affecting the tail end of year 1971-72 amount to about £33m but these may well increase by £10m or so; for 1972/73 they may amount to about £350m. The ultimate total to be taken into account by an order this year will depend upon what further pay settlements are announced before the order goes to print in November. An increase order does not add to public expenditure - it merely determines the extent to which the costs of expenditure already incurred are borne by rates or by other taxes. If an Order were not made, the loss would have to be made good by increased rating next year, and this would clearly be inconsistent with any action taken to keep rate levels down by increasing grant.
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<td>W/E 13 October</td>
<td>Ministers to consider, in light of 1971-72 outturns, provisional position to be adopted on:</td>
</tr>
<tr>
<td></td>
<td>a. relevant expenditure for 1973-74 and later years,</td>
</tr>
<tr>
<td></td>
<td>b. rate of increase in rate poundages and grants to be aimed for,</td>
</tr>
<tr>
<td></td>
<td>c. increase orders.</td>
</tr>
<tr>
<td>19 &amp; 20 October</td>
<td>First meeting of officials to consider Working Group reports. Associations to indicate their preliminary views on appropriate rates of growth.</td>
</tr>
<tr>
<td>26 October</td>
<td>Ministers to agree negotiating position on expenditure forecasts and corresponding grant percentages and grant elements.</td>
</tr>
<tr>
<td>2 November</td>
<td>Circulation to Associations of paper setting out Government's proposals.</td>
</tr>
<tr>
<td>8 November</td>
<td>Associations circulate observations and counter-proposals if any;</td>
</tr>
<tr>
<td>13 November</td>
<td>Official level meeting.</td>
</tr>
<tr>
<td>14-17 November</td>
<td>If necessary, Ministers to reconsider the position in light of outcome of official level meeting.</td>
</tr>
<tr>
<td>20 November</td>
<td>Statutory meeting (Ministers and Members)</td>
</tr>
<tr>
<td>27 November</td>
<td>Making of Orders</td>
</tr>
<tr>
<td>30 November</td>
<td>Laying of orders and Secretary of State's Report</td>
</tr>
<tr>
<td>2 or 9 December</td>
<td>Statutory Instruments Committee</td>
</tr>
<tr>
<td>Before Recess:</td>
<td>Commons Debate on Affirmative Resolutions</td>
</tr>
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</table>
THE RATE SUPPORT GRANT SYSTEM

Rate Support Grant (RSG) is a general grant in aid of all local authority rate-fund expenditure. It is not related to individual service or projects. Over 80% of all Exchequer aid to local authorities is paid through RSG, the remainder being specific grants related to expenditure on particular activities.

2. The total amount of grant to be paid to all authorities is determined in advance by the Secretary of State for the Environment in an Order (subject to affirmative resolution). In making an Order, the Secretary of State is required to take into account the latest available information on the relevant expenditure (see para. 6 below) of local authorities, any probable fluctuation in the demand for services due to circumstances not under the control of local authorities (eg population increase) and the need for developing those services having regard to general economic conditions.

3. He is also required to consult the local authorities associations and GLC, and for this purpose a series of working groups of officials and local authority officers has been set up to consider the relevant expenditure on each service in detail and to try to forecast expenditure in later years on the assumption that existing policies are continued. The reports of these groups form the starting point for the main negotiations, which consider the extent to which the assumptions made on the reports are valid, and whether additional growth or decline in provision of services should be allowed for.

4. Having decided on a forecast of relevant expenditure, the Secretary of State has then to decide on the amount of grant to be paid. Although the statute lays down no criteria for this, the practice has been to keep the grant at a fixed percentage of forecast expenditure, except for a small increase (1% or 2% p.a.) to allow for increased relief to domestic ratepayers (see para. 8(iii) below). Thus the forecast of relevant expenditure has hitherto effectively determined the rate of grant.

5. Once an Order has been made, it cannot be varied (except for inflation - see para. 7 below). Thus authorities know in advance the amount of grant they are to receive, and since the detailed forecasts are published, they are aware of the policy implications of the grant settlement. But each authority is free to decide its own level of expenditure for itself and there is no way of ensuring that the sum total of these decisions will correspond to the national forecast. In practice the outturn is usually within 1% of the forecast but this depends on the forecasts being realistic. Arbitrary cuts not related to policy decisions are usually ineffective.

Relevant Expenditure

6. For purpose of rate support grant, relevant expenditure is defined as the total expenditure falling on the rate fund of an authority (other than payments to another authority under precept), but excluding contributions to Housing Revenue Accounts and to trading accounts. It differs from the total of local authorities' rate estimates because of these exclusions, because it takes no account of the rise and fall in working balance and because it is forecast on a
constant price basis whereas rate estimates have to allow for inflation. And it differs from the Public Expenditure Survey forecasts of local authority current expenditure because it includes interest on debt and the use of revenue for capital purposes (which appear under other programmes in the PESC report) and debt repayments (which are not treated as public expenditure).

Increase Orders

7. All grant negotiations take place on the basis of the latest available prices, costs and remuneration (for this year as at 30 June 1972) and the forecasts of expenditure assume no change in these levels. The figures are revised before the resulting Order is made in November to take account of any increases since June including foreseeable increases; thereafter, the Secretary of State has power to make an Increase Order to take account of any increase in levels of prices, costs and remuneration since the main Order was made. Such Increase Orders are usually made annually and rely to a considerable extent on information collected by the associations from their members. Having decided to make an Order, the Secretary of State is bound to take into account all increases; he cannot choose to ignore certain items on the grounds that they are unreasonable.

Distribution of Grant

8. The aggregate amount of grant is first reduced by the estimated amount to be paid as specific grants (other than capital grants and housing subsidies). The balance is distributed as rate support grant in three elements.

(i) Needs element (about 80% of the total) paid to major authorities in accordance with a formula taking into account their population, number of school children, old people, road mileage and other objective factors. The main principles of the formula are laid down in legislation or in regulations; but the values to be attached to some of the factors form part of the main grant settlement.

(ii) Resources element: paid to all authorities whose rateable value per head (after adjustment for areas of low density) is below the national average. The grant is a percentage of their actual expenditure.

(iii) Domestic element: the Secretary of State may prescribe that rates on domestic properties shall be less than those on non-domestic by a fixed amount (currently 10½p). The loss of income is made good to rating authorities by the domestic element of grant.
THE QUEEN'S SPEECH ON THE PROROGATION OF PARLIAMENT

I circulate for the consideration of the Cabinet a draft of The Queen's Speech on the Prorogation of Parliament.

RC

Home Office
12 October 1972
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My Husband and I recall with pleasure our visits to Thailand, Singapore, Malaysia, Brunei, Maldives, the Seychelles, Mauritius and Kenya to France, and to Yugoslavia. We also had the pleasure of welcoming to this country Queen Juliana and Prince Bernhard of the Netherlands, the Grand Duke and Duchess of Luxembourg and the President of the Federal Republic of Germany and Frau Heinemann.

2. Negotiations for British membership of the European Communities were successfully concluded by my Ministers. Following the passage of legislation making the requisite changes in United Kingdom law an Instrument of Ratification of the Treaty of Accession has been deposited. Accession to all three Communities will take place on 1 January 1973. At the European Summit my Government joined with the other Governments in formulating constructive policies for the future development of the Communities.

3. My Ministers have played a full part in the North Atlantic Alliance and have striven to improve relations between East and West. Ambassadors have been exchanged with the People's Republic of China. My Government have continued their efforts to achieve international agreement on arms control and disarmament and have signed the Biological Weapons Convention.

4. My Government regret the decision of Pakistan to withdraw from the Commonwealth. They welcome as a Commonwealth partner the People’s Republic of Bangladesh and are making a substantial contribution to relief and rehabilitation in Bangladesh.

5. My Ministers welcomed the opportunity for discussions with the Shah of Iran during his private visit to this country in June. My Government reaffirmed their support for the Central Treaty Organisation at the Ministerial Meeting in London in June.
6. My Government deplore the action of the Government of Uganda in expelling residents of Asian descent. They have made strong representations to the Ugandan Government and have sought the support of many Commonwealth and foreign governments in offering to those expelled a choice of countries in which to live. My Ministers accept the obligation to admit to this country any citizens of the United Kingdom and Colonies who are expelled from Uganda and wish to make their homes here. The Uganda Resettlement Board has been established to ensure the orderly reception and resettlement of these unfortunate people.

7. I have been deeply grieved at the loss of innocent lives in Northern Ireland as a result of terrorism.

8. The Parliament of Northern Ireland has been prorogued and provision made for direct rule for one year. My Ministers have striven for peace and understanding in the Province and a just share in its government for all its citizens. A conference has been held as part of the process of consulting people and organisations on the future constitutional framework for Northern Ireland. Local government services are being reorganised and provision has been made for the forthcoming local elections to be held under a system of proportional representation.

9. My Armed Forces are carrying out with skill and determination their difficult and dangerous duties in Northern Ireland. Their courage deserves the greatest admiration and they will continue to act with vigour against lawlessness from any quarter.

MEMBERS OF THE HOUSE OF COMMONS

10. I thank you for the provision which you have made for the honour and dignity of the Crown and for the public services.
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

11. My Government have taken vigorous steps to encourage economic growth and industrial modernisation and to increase employment. Special attention has been paid to the problems of the assisted areas. Legislation has been passed to make regional development grants, to give selective financial assistance to industry and to provide special help for shipbuilding.

12. All remaining short and medium term official overseas debt has been repaid. The reserves are at a satisfactory level. In June my Government decided that for the time being the sterling exchange rate should not be maintained within the normal dealing margins. My Government welcome the establishment of a new Committee of Twenty in the International Monetary Fund which will meet at Ministerial level to press forward the study of international monetary reform.

13. The burden of taxation has again been significantly reduced. Tax reform has been carried forward by providing for a new system of company taxation, for the abolition of purchase tax and selective employment tax, and for the introduction of a value added tax. My Ministers have published Green Papers containing proposals for a new tax credit system and for a different death duty system.

14. Under the Industrial Relations Act, 1971 a code of industrial relations practice containing guidance for management and trade unions has been approved. Training opportunities for individuals have been greatly improved. My Government have announced proposals for the reform of industrial training arrangements.

15. Acts have been passed to strengthen the finances of the British Steel Corporation and to reorganise the gas industry.
16. My Government have taken active steps to promote a strong agricultural industry which will be competitive within the enlarged European Economic Community. Support is being given to the British fishing fleet in the exercise of their right to fish on the high seas off Iceland.

17. New arrangements covering Government-financed research and development, the Research Councils and the use of scientific manpower in the Civil Service have been announced.

18. My Government have continued their policies of protecting and improving the quality of the environment. Legislation has been passed to prevent the irresponsible disposal of poisonous wastes on land. My Government played a leading part in the United Nations Conference on the Human Environment.

19. Legislation has been passed to reform the finance of rented housing, to give help to tenants who need it, and to make improved financial arrangements for slum clearance.

20. Legislation has been passed for the reorganisation of local government in England (outside Greater London) and Wales.

21. An Act has been passed to reorganise the health services in Scotland and to establish a Health Commissioner to deal with complaints.

22. Substantial increases have been made in national insurance retirement pensions and related benefits under the first of the annual reviews introduced by my Government.

23. Provision has been made for substantial extension of the attendance allowance for the disabled; and family income supplements have been increased.

24. Proposals have been published for the future development of State and occupational pensions.
25. Pension schemes of the public services have been reformed. An Act has been passed to improve and widen the scope of the parliamentary pension scheme.

26. The school-leaving age has been raised to 16.

27. Grants to direct grant schools have been increased.

28. An Independent Broadcasting Authority has been established.

29. An Act has been passed to widen the powers of the courts to deal with offenders, strengthen the administration of criminal justice and reform the qualifications for jury service.

30. Legislation has been passed to improve the facilities for giving legal advice and assistance to persons of moderate means.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

I pray that the blessing of Almighty God may attend you.

12 October 1972
I circulate for the consideration of the Cabinet a draft of The Queen's Speech on the Opening of Parliament. We shall of course need to consider a form of words for paragraph 10 in the light of the latest developments on the tripartite talks.

RC

Home Office
12 October 1972
THE QUEEN'S SPEECH ON THE OPENING OF PARLIAMENT

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My Husband and I look forward to our visits to Canada and Australia.

2. My Government will play a full and constructive part in the enlarged European Communities. They look forward to the opportunities membership will bring for expanding the country's industry and commerce and for strengthening the political influence of Europe and of the United Kingdom in the world. They will use their influence within the Communities to promote outward looking Community policies.

3. My Ministers will seek to maintain and strengthen the North Atlantic Alliance; and will continue to sustain the Commonwealth association. My Government seek a positive improvement in East-West relations and are preparing in co-operation with their allies for a conference on security and co-operation in Europe. They will work for peace in the Middle East and in Indo-China. They seek to build upon the improved relations with China and hope for a peaceful and lasting settlement in the South Asian Sub-Continent.

4. My Government will work for co-operation within the United Nations; will support the United Nations law of the sea negotiations; and will continue to pursue agreed measures of arms control and disarmament. They will co-operate with other Governments in combating international terrorism. A Bill will be introduced to enable my Government to give effect to the Montreal Convention for the suppression of unlawful acts against the safety of civil aviation; and my Ministers will continue to encourage other Governments to become parties to this Convention and to the Hague Convention on hijacking.

5. My Government are determined to protect the right of our fishermen to fish on the high seas off Iceland. They remain ready to reach an amicable interim agreement with the Government of Iceland,
6. My Government will continue their efforts to ensure that United Kingdom passport holders expelled from Uganda have the widest possible choice of countries in which to settle. Help will be given to those who settle here and to local authorities that need to make special provision for them.

7. My Ministers will continue to search resolutely for peaceful and just solutions to the political, social and economic problems of Northern Ireland. They are resolved that terrorism and violence shall be brought to an end. The reform of local government will be completed. Legislation will be introduced to provide for a poll on the question of the Border; and to make available additional grant and loan finance to the Northern Ireland Exchequer.

MEMBERS OF THE HOUSE OF COMMONS

8. Estimates for the public services will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

9. At home, my Government's overriding concern, as Britain enters the European Communities, will be to promote the high and sustained rate of economic growth which is essential for the achievement of their policies of providing increased employment and rising living standards, as well as for the provision of better houses, schools, and social services.

10. [The greatest danger to expansion, prosperity and full employment is inflation and my Ministers will therefore ............ reference to TUC/CBI talks.]

11. It is my Government's intention to resume the maintenance of agreed margins round a fixed parity for sterling as soon as circumstances permit.

12. My Government will continue to pursue the reform of taxation, the burden of which they have already greatly reduced.
13. In developing their policies for economic growth my Government will pursue their measures to create confidence and stimulate employment in the assisted areas.

14. Legislation will be brought before you to reform and improve industrial training.

15. Special help will continue to be given to those in need through the social security system and by means of rebates and allowances; and a Bill will be introduced to extend rent allowances to tenants of furnished accommodation.

16. Extra help will continue to be provided for areas of special social need.

17. Legislation will be introduced to promote fair trading and competition; and to improve the provisions of the law regarding insurance companies. Other measures to protect the consumer will be proposed.

18. A measure will be introduced to facilitate the building of a Third London Airport at Maplin.

19. My Government will continue to encourage, within the framework of the European Economic Community, a strong agricultural industry and the efficient production and marketing of food in this country. A Bill will be introduced to continue certain powers of assistance to the fishing industry.

20. My Government will take further positive action on the protection and improvement of the environment. A Bill will be laid before you to reorganise the management of water resources in England and Wales.

21. Legislation will be introduced to provide improved compensation for persons whose land is acquired by public authorities and for the injurious effects of public works schemes.
22. A Bill will be introduced to reform local government in Scotland. In furtherance of the reorganisation of local government in England and Wales legislation will be laid before you to reform certain aspects of local government finance; and to establish machinery for investigating complaints of maladministration in local government.

23. A Bill will be laid before you to reorganise the administration of the National Health Service in England and Wales and to establish a health service commissioner to deal with complaints.

24. Legislation will be introduced to reform the finances of the national insurance scheme and to encourage the more widespread development and improvement of occupational pension schemes.

25. My Ministers will carry out their announced annual review of retirement and public service pensions and related benefits.

26. My Ministers will present to Parliament a new long term strategy on education.

27. My Government will vigorously pursue policies for the prevention of crime and the treatment of offenders. They are especially concerned at the continued growth in manifestations of violence. They will press forward plans for strengthening the police, prison and probation and aftercare services, developing the prison building programme and implementing the Criminal Justice Act.

28. Measures will be introduced to make further reforms in the law and improvements in the administration of justice.

29. Other measures will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

30. I pray that the blessing of Almighty God may rest upon your counsels.

12 October 1972
1. My colleagues will know that I have for some time been engaged in extensive consultations with leaders of opinion in Northern Ireland, culminating in the Darlington Conference to which I invited representatives of each of the seven political Parties represented in the Northern Ireland House of Commons. In the event the Conference was attended by only three of these Parties, but it nonetheless provided a helpful basis for exploring their views. At the close of the Conference I announced that it was my intention to publish a Green Paper on the future of Northern Ireland. I attach a draft which I have called "A Paper for Discussion", together with a draft foreword.

2. While the paper avoids indicating any precise solution - many people in Northern Ireland would oppose what they took to be our intention, irrespective of its merits - it does rule out by implication solutions that would be unacceptable to us. And to an objective reader, we may go some way towards suggesting the broad outline of a constitutional settlement merely by stating the facts of the situation. What is needed, I think, at the present stage, is a description of the area within which a solution must be found.

3. I need to publish the paper at latest on 30 October so as to avoid pressure during the Debate on the Address for a separate debate on Northern Ireland. I hope to be able to publish a free popular version of the paper, in leaflet form, at the same time: this is in preparation.

W W
Foreword

The British Government have a clear objective in Northern Ireland. It is to deliver its people from the violence and fear in which they live today and to set them free to realise their great potential to the full.

We want to help them to draw together; to find a system of government which will enjoy the support and the respect of the overwhelming majority. If it is to do so, such a system must emerge in large measure from the ideas and the convictions of the Northern Ireland people themselves. This is why there has to be a lengthy process of consultation, which I started on arrival, have been continuing ever since, most recently at the Darlington conference for Northern Ireland parties, and which I shall now seek to bring to fruition over the coming weeks.

But the stage has now been reached at which we must take a step forward in shaping the future. This is the purpose of this Paper for Discussion. It does not set out any single cut and dried scheme for the future and sets out some fundamental conditions (including the clear pledges of successive British Governments) which any settlement must meet. It places the Northern Ireland situation in the wider context of certain unalterable facts of life - political, economic and military - which must fundamentally influence any settlement.

It is our hope that this Paper will now provide a realistic basis for further discussion which must be undertaken with a real sense of urgency. What is at issue is the future of Northern Ireland, and I set out in the first paragraph what the Government aim to achieve for its people. But the future of any community depends upon the will of its own people to live, to work and to make progress together. This paper seeks to provide, as its title and sub-title indicate, a basis for discussion as to how that may best be achieved.

Secretary of State for Northern Ireland
A Paper for Discussion

Northern Ireland Office
PART I: Some Historical Background (paragraphs 1 - 25)

PART II: Proposals and Possibilities

A. Proposals by Political Parties in Northern Ireland (paragraphs 27-32).

B. Other Proposals (paragraphs 33-36)

C. The Theoretical Possibilities
   - Sovereignty and Citizenship (paragraphs 39-42)
   - Methods of Government of Northern Ireland Within the United Kingdom (paragraphs 43-45)
   - Division of Powers Between United Kingdom and Northern Ireland Institutions (paragraphs 46-50)

   - Northern Ireland Institutions
     - A Representative Assembly (paragraphs 52-55)
     - The Executive (paragraphs 56-61)
     - Local Government (paragraph 62)
     - Representation of Northern Ireland interests in the Parliament and Government of the United Kingdom (paragraph 63)
     - A Bill of Rights (paragraph 64)

PART III: Towards a Settlement

Some Basic Facts

- The Financing of Services in Northern Ireland (paragraphs 66-67 and 71)
- The Armed Forces (paragraphs 68-70)
- The Interdependence of Northern Ireland (paragraphs 72-73)

The United Kingdom Interest (paragraphs 74-75)

The Irish Dimension (paragraphs 76-78)

PART IV: The Way Forward (paragraphs 79-83)


Annex 5: Views of the Alliance Party.

Annex 6: Views of the Northern Ireland Labour Party

Annex 7: "Towards a New Ireland" - Social Democratic Labour Party.

Annex 8: Views of the Ulster Liberal Party.

1. For more than fifty years, between 1921 and the enactment of the Northern Ireland (Temporary Provisions) Act 1972, Northern Ireland was governed under the scheme of devolution embodied in the Government of Ireland Act 1920. That scheme remains today the basic constitutional document for Northern Ireland, since the Act of 1972 did not replace it, but rather superimposed upon it certain temporary provisions, in particular the prorogation of the Northern Ireland Parliament and the assumption by the Secretary of State for Northern Ireland of those executive powers hitherto discharged by the Government of Northern Ireland.

2. Annex I summarises the principal provisions of the Government of Ireland Act 1920 (hereafter referred to, for the sake of brevity, as "the Act of 1920") as it came into force in Northern Ireland. It is important to remember, however, that the Act was intended to establish a scheme of devolution not just for Northern Ireland, but for Ireland as a whole. In an attempt to reconcile the conflicting views of the majority in Ireland, who sought Home Rule, with those of a minority, largely concentrated in the North, who wished to preserve the Union with Great Britain, the United Kingdom Government introduced a compromise, providing for the establishment in Northern Ireland and in Southern Ireland of subordinate legislatures and governments within the United Kingdom, and also for specific machinery (the Council of Ireland) to promote co-operation and encourage ultimate union within the United Kingdom by agreement. In the event Southern Ireland did not operate the institutions established by the Act of 1920. The scheme of devolution for which that Act provided came into force in Northern Ireland alone, subject to such modifications as were made necessary by the subsequent changes in the status of the rest of Ireland; and although the subsequent course of North-South relations (of which a summary is given in Annex 2) did not preclude a degree of practical co-operation, the formal joint institutions envisaged by the Act of 1920 were stillborn.
Although the Northern Ireland Parliament (subsequently to become widely known as "Stormont" from its eventual location) was endowed with quite extensive law-making powers, it became apparent at an early date that the exercise of those powers in practice would be tempered by the realities of the financial situation. The Parliament and Government of Northern Ireland were from the outset in the anomalous position of having responsibility for a wide range of public expenditure without any comparable responsibility for raising the major part of the revenue to finance it, since those "transferred" taxes which the Northern Ireland Parliament had power to levy were at no time adequate to finance more than a minor proportion of "transferred" expenditure. The rates of those "reserved" (or Westminster controlled) taxes from which the greater part of Northern Ireland expenditure had to be met fluctuated in response to economic, financial and budgetary circumstances of the United Kingdom as a whole; hence Northern Ireland was unable to engage in those aspects of economic management which are central to the concerns of modern democratic governments.

On the contrary, there steadily evolved a relationship based upon the principle of "parity", by which citizens of the United Kingdom living in Northern Ireland paid the same taxes and enjoyed a similar standard of public sector services as their fellow-citizens in Great Britain, achieved by payments to the Northern Ireland Exchequer, to Northern Ireland statutory funds (such as the Northern Ireland National Insurance Fund), and direct to individual citizens in Northern Ireland.

Thus, as a part of the United Kingdom Northern Ireland has not been held back by inadequate tax resources from the development of services to standards acceptable in Great Britain. But the arrangements designed to secure this end have inevitably meant that the ability of the Northern Ireland Parliament to create, by legislation, distinctive policies of its own, has been severely inhibited. In the specific areas covered by the various "parity" agreements, the Northern Ireland Government bound itself of its own choice, and in order to secure substantial benefits for the Northern Ireland community, to legislate virtually in
parallel with Great Britain. Nor was the effect of Northern Ireland's financial
dependence confined to those areas covered by specific parity arrangements.
Because public expenditure in Northern Ireland exceeded public revenue raised
there, virtually all Northern Ireland's policies involving significant new
expenditure had to be agreed in advance with HM Treasury; so that even in fields
where the distinctive traditions and needs of Northern Ireland led to the provision
of distinctive programmes and policies, the Northern Ireland Parliament's freedom
of legislative action was limited by the constraints of United Kingdom public
expenditure. In fields such as industrial development the need to take account
of additional factors such as international obligations and consequential effects
in Great Britain both for individual companies and particular regions meant that
more detailed consultation with Whitehall was necessary.

6. The Northern Ireland Parliament has nevertheless enacted in many fields
legislation specially adapted to the local situation. For example, Northern
Ireland legislation on industrial development at various times and in various
ways provided for a level of inducement intended to offset as far as possible
Northern Ireland's geographic and other disadvantages. Specialised agencies
established by the Northern Ireland Parliament, such as the Northern Ireland
Tuberculosis Authority and the Northern Ireland Housing Trust, made a most sig-
nificant contribution towards the betterment of life in the Province.

7. Because the Northern Ireland Parliament lacked real economic or financial
independence the area of its genuinely and wholly independent legislative
action tended to be concentrated on the social and regulatory fields, on changes
in distinctive codes of law, and on measures which were significant for other
reasons than their expenditure implications.
3. Of particular importance was that wide area of public policy which may be described as "law and order and security". On the one hand the Northern Ireland Parliament's general grant of powers charged it with responsibility for peace and order, as well as for good government; on the other, the United Kingdom Parliament reserved to itself responsibility for the defence of the realm and for the raising of any kind of military force. In practice, however, this division of power was not easy to observe in the face of developments in Northern Ireland itself. Northern Ireland is the only part of the United Kingdom with a land boundary, and although the Act of 1920 by no means envisaged the Irish border as an international frontier, it steadily assumed that character as Southern Ireland became first the Irish Free State and ultimately the Irish Republic. The partition of Ireland was deeply resented, and the new institutions of Northern Ireland were opposed, by militant elements of the republican tradition, who launched violent attacks upon the Province and its institutions both from within Northern Ireland and across the border.

9. In response to this threat (from time to time dormant, but periodically renewed) the Northern Ireland Parliament used its legislative powers to enact measures and to establish institutions without equivalent in Great Britain, although by no means with precedent or parallel in Ireland. The Civil Authorities (Special Powers) Act (Northern Ireland) 1922 conferred upon the executive wide powers to make regulations for the protection of the State, under which provision was made, inter alia, for detention and internment without trial. The Royal Ulster Constabulary established in 1922, inherited from its predecessor, the Royal Irish Constabulary, distinctive traditions and functions which themselves originated in the special public order problems of Ireland. The Northern Ireland Parliament also voted moneys for the maintenance of the Ulster Special Constabulary which was an armed force, most of whose members had been trained to carry out patrols of a varying nature and guard duties rather than to reinforce and assist the Royal Ulster Constabulary in the performance of police duties as generally understood in the rest of the United Kingdom.
There were also important areas of policy in which Northern Ireland legislation diverged from that in force in the rest of the United Kingdom, not because the Northern Ireland Parliament enacted specifically different legislation, but because it did not make changes comparable with those made in Great Britain by the United Kingdom Parliament. Certain of these areas involved sensitive issues on which there were distinctive Northern Ireland points of views. Some, however, involved important questions of citizen's rights. In particular, the Northern Ireland Parliament did not, for many years, follow the example of the United Kingdom Parliament in moving from a ratepayers' franchise at local government elections to a basis of universal adult suffrage.

Section 75 of the Act of 1920 saved the sovereign authority of the United Kingdom Parliament over all matters in Northern Ireland. In practice, however, this reserve of power came to be used only in the most limited way. In general the view prevailed that, having established responsible if subordinate institutions in Northern Ireland with certain powers, the United Kingdom Parliament and Government should not lightly supersede or override these powers. Thus there developed a convention that the United Kingdom Parliament would legislate within the field of Northern Ireland's "transferred" powers only by invitation. This convention merely reflected the general view of the sovereign Parliament as to the prudent exercise of its powers; it did not, and could not, override the clear and unambiguous wording of the Statute.

The most striking feature of the executive government of Northern Ireland throughout this period of more than half a century was its virtually complete concentration in the hands of a single political party, the Ulster Unionist Party. At every General Election from 1921 to 1969 this Party secured an absolute majority of the seats in the Northern Ireland Parliament. Thus, following the general convention governing such matters in the United Kingdom, successive leaders of that Party were invited by the Governor to form an Administration, and did so almost entirely from fellow members of the Party in one or other House of the Northern Ireland Parliament, (two of the three notable exceptions being appointed in 1971 - Mr Bleakley, and Dr Newe, a Roman Catholic).
13. The unbroken dominance of the Northern Ireland House of Commons (and thus of the Government) by the Ulster Unionist Party was based upon an authentic electoral mandate. Although the franchise up to 1968 included provision for a business vote, and electoral boundaries of the Stormont constituencies were not reviewed for many years, neither of those factors had any major bearing on the balance of the parties in the Northern Ireland Parliament.

14. That alternation of governing parties which has for so long been a characteristic of the British political system, and which has undoubtedly contributed in a marked degree to the stability of Parliamentary Government in Great Britain, accordingly did not exist in Northern Ireland. It is true that there are other democracies, whether sovereign States or self-governing areas within them, of which this can also be said. The special feature of the Northern Ireland situation was that the great divide in political life was not between different viewpoints on such matters as the allocation of resources and the determination of priorities, but between two whole communities. The "floating vote" for which rival parties would normally compete was almost non-existent. Thus the relationship between the parties was not fluctuating and uncertain, but virtually fixed from one Election to another. Such a situation was unlikely to foster either sensitivity on the part of the permanent majority, or a sense of responsibility on the part of the permanent minority.

15. It would be quite wrong to infer that, in spite of this fundamental defect at the heart of the system, successive Governments of Northern Ireland did not achieve - with the co-operation, financial and otherwise, of successive United Kingdom Governments - substantial advances in many important fields of vital concern to the individual citizen and the whole community. In 1921 Northern Ireland, in many of its public services, shared with the rest of Ireland lower standards than Great Britain. Over the half century which followed, schools, hospitals, roads and many other services were developed to levels fully comparable with those of any area of Great Britain. Energetic industrial development policies achieved great economic diversification and a marked increase in real wealth, though, as in certain regions of Great Britain, this failed to bring unemployment percentages down to the national average in the face of contracting employment in certain basic industries.
16. There were, however, persistent protests on behalf of the Roman Catholic minority that they were being excluded by deliberate policy, from their fair share of the benefits of increasing prosperity, and from that legitimate political influence which would permit their claims to be more effectively advanced. While some of these complaints were undoubtedly justified, in some cases opportunities to participate were not taken up, and in others the minority, detecting an unfavourable position resulting from other circumstances, genuinely believed that there had been bias or malice where none existed. Thus a higher rate of unemployment in a comparatively remote area which had a predominantly Roman Catholic population could be attributed by that population to governmental bias against it; but could also result from the real practical problems of promoting new economic development in a remote area. What is incontestable is that the continuous and complete control of central government by representatives of the majority alone was virtually bound to give rise to such suspicions.

17. Moreover, since the Report in 1969 of the Commission headed by Lord Cameron there has been on record an account of deliberate policies of discrimination, particularly in relation to housing and public employment by some though not all of the local authorities in Northern Ireland, and of a toleration of local government electoral boundaries in some areas which produced wholly artificial results.*

*Disturbances in Northern Ireland (Cmd. 532 of 1969)

The Commission concluded that the general causes of the disorders which began in October 1968 were (paragraph 2.29(a)):

"(1) A rising sense of continuing injustice and grievance among large sections of the Catholic population in Northern Ireland, in particular in Londonderry and Dungannon, in respect of (i) inadequacy of housing provision by certain local authorities (ii) unfair methods of allocation of houses built and let by such authorities, in particular, refusals and omissions to adopt a "points" system in determining priorities and making allocations (iii) misuse in certain cases of discretionary powers of allocation of houses to perpetuate Unionist control of the local authority."
(2) Complaints, now well documented in fact, of discrimination in the making of local government appointments, at all levels but especially in senior posts, to the prejudice of non-Unionists and especially Catholic members of the community, in some Unionist controlled authorities.

(3) Complaints, again well documented, in some cases of deliberate manipulation of local government electoral boundaries and in others a refusal to apply for their necessary extension, in order to achieve and maintain Unionist control of local authorities and so to deny to Catholics influence in local government proportionate to their numbers.

(4) A growing and powerful sense of resentment and frustration among the Catholic population at failure to achieve either acceptance on the part of the Government of any need to investigate these complaints or to provide and enforce a remedy for them.

(5) Resentment, particularly among Catholics, as to the existence of the Ulster Special Constabulary (the 'B' Specials) as a partisan and para-military force recruited exclusively from Protestants.

(6) Widespread resentment among Catholics in particular at the continuance in force of regulations made under the Special Powers Act, and of the continued presence in the statute book of the Act itself.

(7) Fears and apprehensions among Protestants of a threat to Unionist domination and control of Government by increase of Catholic population and powers, inflamed in particular by the activities of the Ulster Constitution Defence Committee and the Ulster Protestant Volunteers, provoked strong hostile reaction to civil rights claims as asserted by the Civil Rights Association and later by the People's Democracy which was readily translated into physical violence against Civil Rights demonstrators."
18. When the 1920 Act was passed, there had been a clear intention to prevent discrimination whether in legislation or in executive acts. Section 5(1) of the Act prohibited the making of laws interfering with religious equality, while section 8(6) prohibited the use of the executive power so as to give a preference, privilege or advantage, or impose a disability or disadvantage on any person on account of religious belief. Whether because of doubts about the application of section 8(6) to local authorities and public bodies as distinct from central government or because of the difficulty of proving actual bias in an individual case, these provisions were not in practice invoked by persons seeking redress before the Courts. Thus many members of the minority felt that they could expect redress of grievance neither through Parliament nor though the constitutional safeguards which had been written in to the Act of 1920.

19. By 1968 there had emerged an active and articulate movement demanding changes in the area of civil rights, such as the acceptance of universal adult suffrage as the basis for all elections, the redrawing of electoral boundaries, and the ending of discrimination in employment and housing. From the start this movement was largely (though not exclusively) Roman Catholic, and although it undoubtedly attracted support from militant republicanism, its declared aim was to achieve the objectives by non-violent means. On 5 October 1968, however, a Civil Rights march took place in Londonderry in defiance of an Order made by the Minister of Home Affairs for Northern Ireland and a violent confrontation with the police ensued.
20. The reactions and counter-reactions which followed led in August 1969, to widespread inter-communal disorders at a number of places in Northern Ireland. These were subsequently to be described in the report of the Scarman Tribunal of Inquiry* as follows:

"Neither the IRA nor any Protestant organisation nor anybody else planned a campaign of riots. They were communal disturbances arising from a complex political, social and economic situation. More often than not they arose from slight beginnings: but the communal tensions were such that, once begun, they could not be controlled." (Paragraph 24)

Even with the commitment of members of the Ulster Special Constabulary in conditions for which their training had in no adequate way prepared them, the "law and order" resources of the Government of Northern Ireland were stretched to breaking point. First in Londonderry, and then in Belfast, requests were made and granted for the deployment of the Army in aid of the civil power. This turn of events inevitably had profound effects upon the conventional relationship which had hitherto existed between the Parliament and Government of the United Kingdom and the authorities in Northern Ireland. The practice that Parliament did not discuss, except in the most general way, matters within the "transferred" responsibility of Northern Ireland Ministers was discarded by general consent. The United Kingdom Government, widely supported in this respect by Members of all parties, concluded that a much deeper involvement in the domestic affairs of Northern Ireland was now inescapable.

21. On 19 August the Prime Minister (Mr Wilson) and a number of his senior colleagues met Major Chichester-Clark and other Northern Ireland Ministers at 10 Downing Street. The practical results of this meeting included the designation for the time being of the GOC (Northern Ireland) as Commander of all the security forces in Northern Ireland, including the Ulster Special Constabulary and the Royal Ulster Constabulary in its security role, the withdrawal of the

*Violence and Civil Disturbances in Northern Ireland in 1969 - Cmd 566 of 1972
Ulster Special Constabulary from anti-riot duties and strict control of its arms, and the appointment for the first time of a senior official as United Kingdom Representative in Northern Ireland. The meeting also produced the Downing Street Declaration,* embodying a re-affirmation of the pledge by successive United Kingdom Governments that Northern Ireland should not cease to be a part of the United Kingdom without the consent of the people of Northern Ireland, and a commitment to the principle that "in all legislative and executive decisions of government every citizen of Northern Ireland is entitled to the same equality of treatment and freedom from discrimination as obtains in the rest of the United Kingdom, irrespective of political views or religion".

22. In order to prevent direct confrontation between the communities in those sensitive areas of West Belfast where they lived in homogeneous districts contiguous to each other, one of the Army's first major acts after its involvement in August 1969 had been to build the so-called "Peace Line" along the sensitive inter-face. To a considerable extent peace was kept, but as the Army stood between the communities it was drawn into conflict at different times with first one and then the other. The earliest serious confrontation, in October 1969, was between the Army and Protestant elements on Belfast's Shankill Road affronted by the proposed changes in police organisation; but as time elapsed the Provisional wing of the Irish Republican Army (consisting broadly of the more traditionally militant elements of that organisation after a split in its leadership) emerged in 1970 as a most serious threat to security and public order. Because it was in the Catholic areas of Belfast that the main brunt of the destruction of August 1969 had been borne, the local IRA elements were able — as they had not been between

*Cmd 4154 of 1969. The full text is:

1. The United Kingdom Government reaffirm that nothing which has happened in recent weeks in Northern Ireland derogates from the clear pledges made by successive United Kingdom Governments that Northern Ireland should not cease to be a part of the United Kingdom without the consent of the people of Northern Ireland or from the provision in Section 5 of the Ireland Act, 1949, that in no event will Northern Ireland or any part thereof cease to be part of the United Kingdom without the consent of the Parliament of Northern Ireland. The border is not an issue.
2. The United Kingdom Government again affirm that responsibility for affairs in Northern Ireland is entirely a matter of domestic jurisdiction. The United Kingdom Government will take full responsibility for asserting this principle in all international relationships.

3. The United Kingdom Government have ultimate responsibility for the protection of those who live in Northern Ireland when, as in the past week, a breakdown of law and order has occurred. In this spirit, the United Kingdom Government responded to the requests of the Northern Ireland Government for military assistance in Londonderry and Belfast in order to restore law and order. They emphasise again that troops will be withdrawn when law and order has been restored.

4. The Northern Ireland Government have been informed that troops have been provided on a temporary basis in accordance with the United Kingdom's ultimate responsibility. In the context of the commitment of these troops, the Northern Ireland Government have reaffirmed their intention to take into the fullest account at all times the views of Her Majesty's Government in the United Kingdom, especially in relation to matters affecting the status of citizens of that part of the United Kingdom and their equal rights and protection under the law.

5. The United Kingdom Government have welcomed the decisions of the Northern Ireland Government relating to local government franchise, the revision of local government areas, the allocation of houses, the creation of a Parliamentary Commissioner for Administration in Northern Ireland and machinery to consider citizens' grievances against other public authorities which the Prime Minister reported to the House of Commons at Westminster following his meeting with Northern Ireland Ministers on 21st May as demonstrating the determination of the Northern Ireland Government that there shall be full equality of treatment for all citizens. Both Governments have agreed that it is vital that the momentum of internal reform should be maintained.

6. The two Governments at their meeting at 10 Downing Street today have reaffirmed that in all legislation and executive decisions of Government every citizen of Northern Ireland is entitled to the same equality of treatment and freedom from discrimination as obtains in the rest of the United Kingdom, irrespective of political views or religion. In their further meetings the two Governments will be guided by these mutually accepted principles.
Finally, both Governments are determined to take all possible steps to restore normality to the Northern Ireland community so that economic development can proceed at the faster rate which is vital for social stability.
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1956-62 - to project themselves as the defenders of the wider Catholic community, and thus to win substantial numbers of recruits and a considerable degree of mass support. At first encouraging and manipulating civilian rioters (using such weapons as the stone or petrol bomb) but gradually developing direct action with firearms and explosives against the security forces and the wider community, the IRA (largely locally recruited, but to an increasing extent under the influence of the movements' national leadership in the Republic) steadily stepped up its efforts, requiring in response a growing commitment of troops to Northern Ireland.

23. Neither the increasingly tight security policy, involving the presence of the Army in increasing strength and the use of parts of the Special Powers Act, nor the implementation or announcement of a number of radical reforms (see Annex 3) prevented the gradual emergence of the IRA. By August 1971 its escalating campaign of violence led the Northern Ireland Government, after consultation with the United Kingdom Government, to introduce internment; this reinforced Roman Catholic leaders in the decision they had already taken a month earlier, on other grounds, to withdraw from the Northern Ireland Parliament. As both the IRA campaign and this political rift continued, the growing inter-communal bitterness steadily reduced any realistic hope of political progress.
24. Faced by this evident impasse the United Kingdom Government came to the conclusion that it was necessary to remove from the Parliament and Government of Northern Ireland control over law and order. The Northern Ireland Government felt unable to accept this transfer of functions, and indicated their intention to resign instead. The United Kingdom Parliament enacted the Northern Ireland Temporary Provisions Act 1972 in March 1972 which effectively vested in the Secretary of State for Northern Ireland the powers formerly exercised by the Northern Ireland Government.

25. Following the introduction of direct rule, the Secretary of State for Northern Ireland has been involved in intensive discussions with all shades of opinion in Northern Ireland, and has in addition invited and received many written suggestions from individual citizens of Northern Ireland. In August 1972 it was announced that a conference would be held to which each of the seven parliamentary political parties of Northern Ireland was invited to discuss suggestions for the future of Northern Ireland. Conference was held at Darlington from 25 - 27 September and representatives of the Unionist Alliance and Northern Ireland Labour Parties were present. Parts II and III of this Paper take account of the many views which have been represented to the Secretary of State both during this conference, and in his other consultations.
PART II: PROPOSALS AND POSSIBILITIES

PROPOSALS BY POLITICAL PARTIES IN NORTHERN IRELAND

26. It is appropriate to begin a review of the possibilities of future political development in Northern Ireland with a brief analysis of the proposals made by Northern Ireland political parties and interests, some of which were discussed at the Darlington Conference. Paragraphs 27-31 accordingly provide a brief summary of the proposals of political parties; but since any process of compression may involve the omission of points considered important by those who put them forward, the published views of the various parties are, with their permission, reproduced in full in Annexes 4 to 9. Paragraphs 33 and 34 concern the proposals of other organisations and individual members of the public. This section concludes with a brief reference, in paragraph 35, to the views of United Kingdom political parties.

27. Proposals of the Ulster Unionist Party* (30 members in the Northern Ireland House of Commons before prorogation: Leader Mr Brian Faulkner).

(i) A unicameral Northern Ireland Parliament of 100 Members elected by simple majority vote; 6 parliamentary committees, each covering the activities of a department, plus a Public Accounts Committee. Membership of Committees to reflect the strength of parties in Parliament and at least three to be chaired by Opposition Members.

(ii) An Executive to consist of a Cabinet comprising a Prime Minister and 5 or 6 Ministers each heading a department.

(iii) The Royal Ulster Constabulary and its Reserve to continue to be answerable to the Northern Ireland authorities, and to be responsible for intelligence gathering and the control of subversive activities (as far as possible) as well as for ordinary civil policing.

*The Unionist Party's publication "Towards the Future" is reproduced in full in Annex 4.
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intelligence gathering and the control of subversive activities (as far
as possible) as well as for ordinary civil policing.

*The Unionist Party's publication "Towards the Future" is reproduced in full in
Annex 4.
(iv) The Special Powers Act to be replaced by alternative emergency legislation, excluding the power to intern, with its operation dependent upon the declaration by the Northern Ireland Parliament of a state of emergency, and renewable for six months at a time by resolution of that Parliament. A system of Special Courts to deal with cases involving either widespread sectarian violence or widespread terrorist activity.

(v) A precise and comprehensive Bill of Rights, to equalise and safeguard citizen's rights, with provision for judicial review and enforcement.

(vi) A tripartite Declaration, analogous with the Agreement of 1925, by the Governments in London, Dublin and Belfast affirming the right of the people of Northern Ireland to self-determination. Inter-governmental discussion about co-operation in ending terrorism in Ireland, and review of extradition arrangements or declaration of a Common Law Enforcement Area in Ireland. If such action is taken, the formation of a joint Irish Intergovernmental Council to discuss matters of mutual interest, particularly in the economic and social fields.

28. Proposals of the Alliance Party.* (3 Members in the Northern Ireland House of Commons before prorogation. Leader, Mr Phelim O'Neill.)

(i) A unicameral Northern Ireland Assembly elected by the STV system of proportional representation at maximum intervals of four years, and divided into committees according to the main functions. Chairman of committees to be elected by the Assembly by proportional representation.

(ii) The Assembly itself to oversee executive functions through its committees with management functions exercised by a Committee consisting of the

*The Alliance Party's proposals are reproduced in full in Annex 5.
chairman of the Assembly and the chairman of its committees.

(iii) The Royal Ulster Constabulary to be concerned only with serious crime and any police functions affecting security, and to be under Westminster control. An ordinary Police Force, to deal with parking, traffic control and offences, vandalism and minor crime, to be under the control of the Northern Ireland Assembly.

(iv) The Special Powers Act to be phased out as soon as possible, and the new Assembly to have no powers to enact any similar legislation. All security legislation (as also all legislative powers in relation to electoral matters) to be a Westminster responsibility.

(v) A Bill of Rights, guaranteeing to all citizens their fundamental human rights, and based on the Universal Declaration of Human Rights.

(vi) The Irish Republic not to be represented at talks on the political future of Northern Ireland but should formally accept a fair settlement. Extradition arrangements to be re-negotiated, to provide for extradition of persons charged with crimes of violence of a political nature. The formation of an advisory Anglo-Irish Council with representatives from Westminster, the Dail and the new Northern Ireland Assembly.
29. Proposals of the Northern Ireland Labour Party. (1 Member in the Northern Ireland House of Commons before prorogation, Mr P V Simpson).

(i) A unicameral Northern Ireland Assembly of 100 Members, elected by the STV system of proportional representation at maximum intervals of four years, with dissolution also possible by simple majority vote. A system of Departmental Committees of the Assembly elected on a proportionate basis.

(ii) Each Departmental Committee to constitute the legal entity formerly constituted by a departmental Minister.

(iii) Westminster to be responsible for the courts and judiciary, legislation on and licensing of firearms, emergency powers (which should accord with international obligations and conventions) and the power to raise, disband, arm, or control the criteria for recruiting of any police force. The Northern Ireland Assembly, however, to retain management powers in relation to the police, including power to increase its strength and review the exercise of its functions.

(iv) Anything in the nature of Special Powers legislation to be a Westminster matter, but full account to be taken of the existence of a serious emergency in Northern Ireland.

* The Northern Ireland Labour Party's proposals are reproduced in full in Annex 6.
(v) A Bill of Rights to give statutory expression to the Downing Street Declaration of August 1969 and acknowledge the Westminster Parliament's role as guarantor of civil, religious and political liberty in Northern Ireland. The position in Northern Ireland on such matters as the death penalty, race relations, homosexual practices, termination of pregnancy and divorce to be brought into line with that in the rest of the United Kingdom; all future legislation in the field of civil (and individual citizens') rights enacted at Westminster to be applied to Northern Ireland unless the Westminster Parliament determines otherwise; and the Westminster Parliament to reserve expressly the right to annul any provision made by the Northern Ireland Assembly which it resolves to affect adversely citizens' rights.

(vi) A consultative and deliberative Council of Ireland to be established.

30. Proposals of the Social Democratic and Labour Party.* (6 Members in the Northern Ireland House of Commons before prorogation: Leader Mr Gerard Fitt).

(i) An immediate declaration by the United Kingdom that it would be in the best interest of all sections of the communities in both islands (ie Great Britain and Ireland) if Ireland were to become

*The Social Democratic and Labour Party's publication "Towards a New Ireland" is reproduced in full in Annex 7.
united on terms which would be acceptable to all the people of Ireland, and that the United Kingdom will positively encourage such a development.

(ii) Pending the achievement of unity, the establishment of an interim system of government for Northern Ireland under the Joint Sovereignty of the United Kingdom and the Irish Republic, who would reserve to themselves all powers relating to foreign affairs, defence, security, police and financial subventions and would be represented in Northern Ireland by Commissioners who would sign all legislation of a Northern Ireland Assembly or, if one or both considered it necessary, refer it for determination by a joint Constitutional Court.

(iii) The Assembly to consist of 84 Members elected by the STV system of proportional representation, with power to legislate in all fields except taxation and matters reserved to the joint sovereign powers.

(iv) An executive of 15 Members to be elected from the Assembly by proportional representation and to hold office through the duration of an Assembly except in the case of a 75% adverse vote. A chief executive, elected by the executive, to allocate departmental responsibilities subject to the approval of both Commissioners.

(v) No representation for Northern Ireland in either the Westminster or the Dublin Parliament.
(vi) All powers of security to be under the direct control of a department headed by both Commissioners.

(vii) Creation of a new national Senate for the whole of Ireland, with equal representation from the Dublin Parliament and the Northern Ireland Assembly, the Parties from each being represented according to their strength, to plan the integration of North and South and agree on an acceptable constitution.

31. Proposals have also been sent to the Secretary of State by the Ulster Liberal Party, which was not represented in the Northern Ireland House of Commons at the time of prorogation. The main features are as follows:-

(i) A unicameral Northern Ireland Assembly of 75 Members elected by the STV system of proportional representation, with a system of Departmental Committees.

(ii) The main policy-making body to be a Finance Committee. Its chairman, who would in effect be head of the Government, to be the member of the Assembly receiving most first-preference votes in an election of a panel of chairman by STV. Other members to be the chairman of the other committees and three persons appointed by the Secretary of State for Northern Ireland from outside the Assembly.

(iii) All members of the judiciary to be appointed by the Lord Chancellor. Matters affecting security and civil rights to remain for the time being under the control of the

*reproduced in full in Annex 8.*
Secretary of State, with power to delegate to relevant departments.

(iv) Westminster to have overriding responsibility for fair and proper standards of government.

(v) A consultative Joint Council to be set up by the Northern Ireland Finance Committee and the Dublin Government, to investigate the necessity for joint Commissions upon which powers could be conferred by the Dail and the Assembly for specific purposes.
32. To complete this account of the views of the Northern Ireland political parties, mention must be made of the general position of those parties which were not represented at the Darlington Conference and have not sent to the Secretary of State any detailed, formal proposals for the future:

(a) the Nationalist Party (five Members at Stormont before prorogation) and

(b) the Republican Labour Party (one Member) have consistently seen the future of Northern Ireland in an all-Ireland context.

(c) the Democratic Unionist Party (four Members, two of whom resigned their seats immediately before prorogation) have adopted the general attitude that, since the restoration of the Northern Ireland Parliament with its former powers and status is extremely unlikely Northern Ireland should cease to have any separate legislature or executive of its own, but be fully integrated with the rest of the United Kingdom.

B. OTHER PROPOSALS

33. There are in addition to the political parties in Northern Ireland, other organisations, both inside and outside the Province,
which have from time to time expressed views about the future, and accounts have been taken of these views in the analyses in paragraphs 37 - 63.

34. Some of these organisations have sent specific proposals to the Secretary of State. The New Ulster Movement advocates:

(i) A unicameral Northern Ireland Assembly elected by the STV system of proportional representation, with six or seven Members returned for each of the 12 Westminster constituencies, giving a total of 72 - 84. A committee system.

(ii) Executive decisions to be made by Committees, with co-ordination through chairmen (posts held in proportion to party strength). Also scope for decentralisation of control to local authorities and delegation to statutory bodies.

(iii) Control of the police to remain in Northern Ireland, provided it is made a fully civilianised force, totally unarmed, clearly separated from the political arena and subject to an effective Police Authority and inspection by the Chief Inspector of Constabulary.

(iv) An Act of Human Rights, to provide for access of aggrieved persons and organisations to a Tribunal.

*The New Ulster Movement publication "A new constitution for Northern Ireland" is reproduced in full in Annex 9.*
modelled on Industrial Tribunals, with a minimum of rules of procedure and an ultimate appeal to a Tribunal made up of Judges drawn equally from Northern Ireland and the Irish Republic.

(v) Recognition by the Irish Republic of the political status in international law of Northern Ireland as a region of the United Kingdom and its right to remain such until a majority of its citizens decide otherwise.

Machinery for North South co-operation and consultation.

35. Nor have the suggestions for the future government of Northern Ireland come only from Northern Ireland parties and organisations. Following an appeal to the people of Northern Ireland by the Secretary of State that they should write to him putting forward their own views, some 2,500 (of which 201 were anonymous) have been sent to him by individual citizens. The views expressed in those letters are taken into account in the analyses in paragraphs 37 - 60.

36. Views have of course also been expressed by parties and interests outside Northern Ireland. The attitude of the Government has been consistently to seek by inter-party discussion the widest possible measure of agreement as to how Northern Ireland should in future be governed and how in particular the minority as well as the majority may be assured of an active, permanent and
guaranteed role in its life and public affairs. The Labour Party have made their own specific proposals for consideration in that context, based on the 15 point plan put forward by the Leader of the Opposition in his House of Commons speech on 25th November 1971 (House of Commons Official Report Vol. 826, No. 18. Columns 1571-1593). This called for a carefully developed advance by agreement and under acceptable terms and conditions towards the eventual reunification of Ireland to take effect 15 years from the date of reaching agreement. During the interim period the United Kingdom Government should assume full responsibility for all aspects of security, military and police, though with maximum devolution to the Northern Ireland Police Authority; and the Northern Ireland Government should include representatives of minority views provided each such Minister made clear his loyal acceptance of the interim constitution as well as of the long-term settlement.
37. At this stage it is possible to construct a general model of the range of possibilities theoretically open before firm decisions on detailed policy are taken. In constructing this model, account can be taken not only of the great volume of specific proposals already published but of parliamentary and constitutional development in other countries, where this appears to be even potentially useful or illuminating.

38. The following paragraphs accordingly set out the major components from which the detailed form of an ultimate settlement will have to be constructed. Paragraphs 39-42 relate to questions of sovereignty and citizenship, paragraphs 43-45 to possible forms of Government of Northern Ireland within the United Kingdom, paragraphs 46-50 to the division of power between United Kingdom and Northern Ireland institutions; and paragraph 51 to the supervision of the exercise of powers by Northern Ireland institutions. Paragraphs 52-62 deal with details of possible Northern Ireland institutions. The proposals for a Bill of Rights are dealt with in paragraph 64.

Sovereignty and Citizenship

39. First there are issues of sovereignty and citizenship concerned with Northern Ireland's status as part of the United Kingdom and its relationship with the rest of Ireland. United Kingdom policy on this matter is governed by the solemn and binding pledges given by successive governments since the decision of what is now the Irish Republic to sever its connections with the Crown and Commonwealth. The pledge was originally expressed by Mr Attlee as Prime Minister on 28 October 1948 in the words:

"The view of HM Government has always been that no change should be made in the constitutional status of Northern Ireland without Northern Ireland's free agreement."

The pledge was given the form of a statutory declaration by Section 1(2) of the Ireland Act 1949:

"It is hereby declared that Northern Ireland remains part of His Majesty's dominions and of the United Kingdom and it is hereby affirmed that in no
event will Northern Ireland or any part thereof cease to be part of His Majesty's dominions and of the United Kingdom without the consent of the Parliament of Northern Ireland.

This commitment has since been repeated by all successive Governments and as already noted was incorporated in the Downing Street Declaration of 20 August 1969. On 15 November 1971 speaking at the Mansion House in London the present Prime Minister used the following words:

"Many Catholics in Northern Ireland would like to see Northern Ireland unified with the South. That is understandable. It is legitimate that they should seek to further that aim by democratic and constitutional means. If at some future date the majority of the people in Northern Ireland want unification and express that desire in the appropriate constitutional manner, I do not believe any British Government would stand in the way. But that is not what the majority want today."

40. It has been argued that consideration might be given to a partial or incomplete transfer of sovereignty either in geographical terms (ie by transferring to the Irish Republic those parts of Northern Ireland where a majority in favour of such a transfer exists) or in jurisdictional terms (eg by adopting a pattern of joint sovereign responsibility for Northern Ireland as recommended by Social Democratic and Labour Party the/ or by a scheme of condominium for which there are such precedents as the New Hebrides and Andorra). However neither of these courses if adopted without consent, would be compatible with the expressed wording of Section 1(2) of the Ireland Act 1949. Moreover the exponents of a united Ireland all demand a unity of the whole island and show no sign of settling for less: they might well regard the establishment of an predominantly Protestant State as an obstacle to unity.

41. In announcing Direct Rule the Prime Minister stated that in the future periodic plebiscites would be held to allow the people of Northern Ireland to declare their views on the Border issue. Within the context of this general decision, specific decisions will have to be made as to how frequent the plebiscites are to be; what should be asked; and what procedures are to be followed in the event of a majority vote at a future plebiscite in favour of constitutional change.

42. Such then is the present position. The United Kingdom Government is bound both by statute and by clear and related pledges to the people of Northern Ireland. It
is only in this context that the following range of theoretically possible, but not mutually exclusive, courses of action can be examined:

(a) Simply to affirm that Northern Ireland is part of the sovereign territory of the United Kingdom and will remain so: and not even to admit the possibility of change at any time. This course is not without its advocates, who argue that Northern Ireland cannot achieve stability as long as its constitutional future appears to be open-ended; but it is difficult to sustain the argument that if Northern Ireland is to remain part of the United Kingdom while that is the wish of a majority, it must also so remain even if a majority wish otherwise.

(b) To admit the possibility of change, either towards Irish unity or some form of condominium; but not specifically to provide for it. This could take the form either of a "neutral" declaration ("It is for Northern Ireland to make up its mind what it wishes to do, but the United Kingdom government would not stand in the way in the event of a wish for change") which has, indeed, already been made in substance by United Kingdom ministers, or of a "positive" declaration (The United Kingdom Government would welcome the achievement of Irish unity, but this cannot come about unless and until the people of Northern Ireland freely consent to it).

(c) To admit the possibility of change, and also to provide specific machinery by which it could be achieved in an orderly way, subject to consent. It would be possible, for instance, to lay out a theoretical path towards closer integration, and possible ultimate unity in Ireland, subject to the consent of the people of Northern Ireland as expressed by plebiscite before advancing from one stage to another.

(d) To legislate for future change, either gradual or rapid. It can be argued, however, that it would be wrong to do so if the demand for such change did not first come from the majority of the people in Northern Ireland; and while there has been much discussion of the possibility one day of an all-Ireland State, there are many conflicting ideas as to its form and constitution, and the need for a continuing devolution of powers to Northern Ireland within such a State.
(3) Whether or not any change is made affecting sovereignty or citizenship, nevertheless to recognise that, because of the existence of common problems, some form of joint machinery, either at inter-parliamentary or at inter-governmental level, should be established. There is now much common ground between a number of the Northern Ireland parties on the need for some form of joint Council, although some wish to see a consultative and deliberative Council alone, while others envisage a joint discharge of executive functions. It would be possible to start on the more limited basis and subsequently broaden the powers of a Council by mutual agreement.

**Form of government of Northern Ireland within the United Kingdom**

43. It is noteworthy that even amongst those who advocate the earliest possible achievement of Irish unity there is a wide measure of agreement that this could not come about for some considerable time. If a plebiscite or other means of determining the wishes of the people of Northern Ireland shows that they wish to remain within the United Kingdom then the question does not arise unless and until a further expression of view shows a different result; but if a desire for unity were to be made manifest at the first plebiscite there is a general recognition that a lengthy process of discussion and negotiation would inevitably follow. Therefore whatever assumption is made the immediate question to be determined is how Northern Ireland should be governed so long as it remains a part of the United Kingdom.

44. Insistence upon Northern Ireland as a part of the United Kingdom, involves accepting unequivocally the ultimate sovereign authority, in all circumstances, of the United Kingdom Parliament over Northern Ireland as over all other parts of the country. The question then posed is, what law-making and executive powers (if any) should be devolved upon specifically Northern Ireland institutions?

(a) "Total Integration"

This would mean that laws for Northern Ireland, as for Great Britain, would henceforth be made by the Westminster Parliament, and the prorogued Stormont Parliament would be abolished. There would be a clear case for an increase in the
number of Northern Ireland Members, to bring the average numbers of electors per constituency down to the Great Britain, or even to the more favourable Scottish level. Northern Ireland business in the House of Commons might well be dealt with by a Northern Ireland Grand Committee, analogous to the Scottish Grand Committee. It would follow that there would be no separate Northern Ireland executive, and that all the services of central government in Northern Ireland would be the responsibility of the United Kingdom Government. While, in theory, separate departmental structures in Northern Ireland could be abolished and the functions redistributed amongst appropriate United Kingdom Departments, the more promising course would be to entrust the administration of Northern Ireland services to a Secretary of State and subordinate Ministers on a Scottish Office pattern. This course would afford the best opportunity of preserving the considerable administrative benefits of devolution.

In the event of a solution along these lines, it would have to be borne in mind that, when the changes stemming from the Macrory Report are complete, responsibility for certain public services which in the rest of the United Kingdom will continue to rest with local authorities will in Northern Ireland be the responsibility of central government (ie Westminster). In such circumstances, strong arguments would no doubt be advanced for the restoration in Northern Ireland of responsibility for those services to local government and hence for a different pattern of local authorities. However, a re-opening of this issue would not only involve further confusion and uncertainty, to the detriment of services and personnel, but might also involve consideration of further changes, such as the division of Northern Ireland into comparatively few areas, within which elected authorities would exercise quite wide powers. Indeed it has been argued that the problem of participation of the minority in the exercise of power could more realistically be solved by giving control of services to the overall minority in areas where they are a local majority, rather than by seeking to give them a share of power at the centre. In considering the possibility of "total integration" account must also be taken of the fact that the majority of parties in Northern Ireland are opposed to it, that it would represent a complete reversal of the traditions of
half a century, and that it would impose a substantial new legislative burden on
the Westminster Parliament, and that it would be wholly unacceptable to the
Republic and would make cooperation with the Republic more difficult.

(b) A purely executive authority (a "Northern Ireland Council")

This would mean that, while all power to legislate for Northern Ireland would
be retained at Westminster, as many executive functions as possible would be carried
out by an elected regional authority for the whole of Northern Ireland. Such an
authority might have powers to introduce Private Bills at Westminster. Powers
hitherto exercised under the Act of 1920 by the Northern Ireland Government, but
considered to be unsuitable for exercise by the authority, would for the most part
be exercised by a Secretary of State, though some (such as those connected with
social security) might be transferred to appropriate United Kingdom Departments
and Ministers. As a minimum the powers of the new authority would extend to the
"top-tier" of services transferred from local authorities to the centre in accord­
ance with the Macrory Report. This form of solution would also imply that there
should be an increase in the Northern Ireland membership of the House of Commons,
because that body would have the legislative power for Northern Ireland.

(c) A limited law making authority (A "Northern Ireland Convention")

This would involve the establishment of a Northern Ireland Assembly, which
might well have (as in pattern (b) above or otherwise) executive functions, but
would also play a part in the making of laws relating exclusively to Northern
Ireland. This could involve procedures similar to those contemplated by Sir
Alec Douglas-Home's Scottish Constitutional Committee, under which Bills would
start and finish their legislative process at Westminster but be taken through
intervening stages in a local Convention. Such a Convention could also question
a Secretary of State and subordinate Ministers in relation to the exercise of
powers reserved to them.

(d) A powerful legislative and executive (a Northern Ireland Parliament or
Assembly)

This would involve either the restoration of a full-scale Parliament and
system of Cabinet government with powers comparable with those hitherto exercised
at Stormont, or the creation of a new Assembly and Executive capable both of

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enacting laws and of administering the public services within the powers devolved upon them.

45. With the exception of Course (a), each of the solutions discussed in paragraph 44 has certain elements of "integration" (reservation of power to the United Kingdom Parliament and Government) and certain elements of "devolution" (grant of power to Northern Ireland institution) - but the balance between reservation and devolution of power differs from one model to another.

Division of powers between United Kingdom and Northern Ireland institutions

46. The division of powers is clearly bound up with the view taken on the question of methods of government (paragraphs 44 and 45), but it also involves the separate consideration both of the extent of powers (which functions should be allocated to Northern Ireland institutions?) and the degree of supervision of them by Westminster (how genuinely autonomous ought the exercise of devolved powers to be?).

47. First, extent of powers. There are a number of different aspects from which this problem has been considered by the interests in Northern Ireland:

(a) There is first, what may be described as the "argument from Hacreory", which proceeds from the contention that the entire scheme of re-organisation of local government recommended by the Macrory Report assumed the existence of Stormont as a top-tier authority in relation to services transferred from local government, and that therefore any new institutions should as a minimum have power to deal with those services as Stormont would have done.

(b) There is the "argument from social values", which maintains that Northern Ireland ought to have the power to preserve conditions of social behaviour generally acceptable to its own citizens, even where these are different from those in Great Britain (so that laws relating to issues such as abortion or divorce could reflect local religious or other standards): however, it may be noted that the Northern Ireland Labour Party, in its published proposals, took precisely the opposite view.

(c) There is the "argument for the preservation of distinctive patterns of administration", which proceeds from the contention that in Northern Ireland many services, because of special local conditions or special efforts to overcome local
problems have been developed along distinctive lines and that the ability to do this, and to preserve such advantages as Northern Ireland may gain thereby, should not be lost.

(d) There is, as a converse, the "argument against the retention of meaningless powers", based on the view that it is pointless for Northern Ireland to retain notional powers to do something different from Great Britain (e.g., in relation to the cash social services) while in practice have to do very much the same things because Northern Ireland alone does not have the economic or other resources necessary to follow a different and autonomous policy.
48. Much the most difficult decisions relate to the issues of finance and of what might be called divisive powers: part I of this Green Paper has sought to illustrate how, in practice, the operation of certain powers in Northern Ireland proved controversial and divisive. The matters involved included electoral law and boundaries, the courts and the general administration of justice, security and public order, emergency powers and the police. This cannot be an exhaustive list, for in a divided and tense society almost any matter can be made an occasion of conflict, but it does include those matters which have occasioned much bitterness. Strong arguments have accordingly been advanced either that all or most of these powers should be excluded from the responsibilities of any new institutions in Northern Ireland, or that at the least their exercise should be subject to the most stringent controls and safeguards against any possible abuse. It is argued that, if any new constitution for Northern Ireland permits majority government, the majority may use such powers oppressively or discriminatorily; and that if, on the other hand, a new constitution seeks to promote broadly-based government, the exercise of the divisive powers would submit such a government to intolerable strains. On the other hand, there are those who argue, in relation to the "law and order" powers in particular, that these are fundamental to the operation of anything which can be characterised as a government; or, that the more real and pressing problems are, the more important it is to force representatives of the community concerned to face up to them. It is not the purpose of this Paper to strike a balance now between these conflicting arguments, but in considering questions of security, the overall responsibility of the central government for the defence of the realm and the operation of the armed forces must be taken fully into account.

49. Finally, there is the question of finance. Here there is a very strong theoretical argument that any Northern Ireland institutions with appreciable functions will not be capable of developing real-political responsibility, imagination and courage unless they also have to provide the resources for carrying them out.
But the hard logic of the situation must be faced. To meet this requirement it
would be necessary either to supplement Northern Ireland's own resources with
large unconditional grants (and it may be questioned whether any United Kingdom
Parliament could or would provide additional assistance on a massive scale
automatically and without conditions) or to reduce Northern Ireland's expenditure
to relate it to the area's true means (and that would involve a radical
reduced in all public expenditure and a possible failure to maintain parity of
standards with the rest of the United Kingdom. As an alternative to either of these
radical courses, it would be valuable to consider how assistance to Northern
Ireland might be channelled in such a way as to give to the Northern Ireland
institution the power to make their own decisions within defined financial limits.

50. Supervision of powers. It should be appreciated that the devolution of powers
to subordinate institutions does not leave these institutions completely free to
exercise such powers as they wish. Under the Act of 1920 as it stands, the sovereign
authority of the Westminster Parliament is expressly saved by Section 75, the courts
may review the validity of Acts of the Northern Ireland Parliament, and certain
constitutional questions may be referred to the Judicial Committee of the Privy
Council. Under his Instructions the Governor may reserve the Royal Assent to
a Northern Ireland Bill, and there was one such case, although the Bill in question
was eventually allowed to become law. There are other possible patterns of
supervision. Any Acts passed by the legislatures of the Channel Islands and the Isle
of Man are subject to the approval of Her Majesty in Council and the Crown acts
through the Privy Council on the recommendation of United Kingdom Ministers. This
might be described as "governmental supervision". Another theoretical device would
be "parliamentary supervision" by which the legislation of a Northern Ireland
Parliament or Assembly (or defined categories thereof, possibly within the fields
described earlier as "divisive") would either require an affirmative resolution at Westminster to be given the force of law, or could be "prayed against" within a prescribed time. (These parliamentary sanctions at present exist in relation to Northern Ireland legislation during the currency of the Temporary Provisions Act by way of Orders-in-Council.) Other theoretical possibilities indicate supervision by some form of joint United Kingdom/Northern Ireland Parliamentary Commission, or by a "Council of State" of Northern Ireland notables appointed by the United Kingdom Government.

Northern Ireland Institutions

51. The complex question of the form, structure, composition and functioning of a Northern Ireland Parliament or Assembly and executive is again inter-related with the questions already discussed. Separate analysis is, however, required of four distinct but related questions - the form etc. of any representative assembly in Northern Ireland; the form etc. of the executive in Northern Ireland; the form of local government in Northern Ireland and its relationship to the Assembly and the Executive; and the implications of these three questions for the relationship between the Assembly and the Executive on the one hand, and Westminster on the other.

52. A Representative Assembly: Form of Assembly. It will be seen from the submissions of some of the parties that there is a view that any new legislature should not be called a Parliament, because both the title and the adoption of elaborate Westminster procedures have not only been out of proportion to the real functions independently performed and to the size of population covered by them, so that these arrangements have led to what may be described as "over-government", but also have promoted a false view of "Stormont sovereignty" which has been positively harmful. Amongst those who hold this view there is strong support for the title of "Assembly". The Ulster Unionist Party does not share this view, and its proposals call for the continuation of a Northern Ireland Parliament. They share with others, however, the opinion that there should henceforth be a single-chamber legislature,
with membership of the order of 72 - 100. There appears to be comparatively little support for a second chamber in a new structure although, in considering the range of theoretical options, it should be appreciated that the second chamber is used in a number of jurisdictions to give particular interests a weight they would not achieve through a popular-elected chamber based on universal suffrage, and/or to allow measures to be blocked by the second chamber so weighted. A second chamber is also frequently used to introduce into parliamentary life the representatives of certain broad "interests" (as, indeed, is the case in the Senate of the Irish Republic) but there is of course nothing - except opposition in principle to the dilution of the popular mandate - to prevent the nomination to a single chamber assembly (or to its committees) of representatives of important interests or of communities under-represented following an election.

53. The nature of an Assembly may also be influenced by the basis and method of elections to it; and it is apparent from the submissions of the political parties that there is a good deal of support for the use in Northern Ireland of the Single Transferable Vote (STV) system of proportional representation (although the Ulster Unionist Party, in recommending a chamber of some 100 members, notes that this increase "would reduce the need for proportional representation since there would be fewer wasted majorities"). Another theoretical possibility is the use of separate or multiple voting rolls. This mechanism assures a minority community of adequate representation, but it does so at considerable risk of entrenching divisions and encouraging polarisation.

54. As to the method of working of an Assembly, again there is considerable agreement amongst the Northern Ireland political parties that there should be a highly-developed system of functional committees, and some have advocated that the chairmanships of such committees should be shared amongst the parties, rather
than concentrated in majority hands. While the post of chairman is obviously one of real influence and importance, and the more so if committees have really significant executive as distinct from advisory or consultative responsibilities, the establishment of a committee system does not of itself assure the participation of minorities in the exercise of power. It is the normal practice, both in parliamentary and local government, that committees should constitute a microcosm of the whole body, with the majority of the whole constituting also a majority of each committee. Thus, the application to Northern Ireland of a system of committee government would make the application of executive power less concentrated, but in the last resort matters put to a vote would be carried by the elected majority. This would be true whether the committees served as a check on the executive (as the Ulster Unionist Party proposes) or themselves constituted the executive (as proposed by other parties).

There are various forms of blocking mechanism inside or outside an Assembly, some of which (such as a Council of State or a degree of supervision by the Sovereign Parliament or Government) have already been mentioned. There are also a number of overseas precedents. Thus, in Belgium, with its problem of linguistic divisions, three-quarters of either language group in Parliament can cause any draft legislation to be referred back to the Council of Ministers if it is considered harmful to inter-communal relations. In Switzerland, any law passed by the Federal Assembly may be made the subject of a national referendum if 30,000 eligible voters so request within 90 days.
The Executive. Here the crucial question is whether, in addition to any heightening of their influence, it is desirable and possible to secure the participation of the Northern Ireland minority in the actual exercise of executive powers. On the one hand, it can be argued that in Northern Ireland, as in many other democracies, those who represent a majority in the legislature should have the right to form the government; that any form of coalition tends to provide weak and indecisive government, and all the more so if it comes about artificially, rather than by the voluntary collaboration of parties with real mutual interest that the underlying problem of Northern Ireland can only be solved by the slow and steady evolution of new party structures rooted in both communities; and that, bearing in mind the real practical problems which must be solved in Northern Ireland, it would be most dangerous to make complex arrangements which can be manipulated to produce deadlock and frustration.

On the other hand, it can be argued that the British democratic system only works where a regular alternation of parties is possible; that the real test of a democratic system is its ability to provide peaceful and orderly government, and that by that standard the existing system in Northern Ireland has failed; that other countries with divided communities have made special constitutional provision to ensure participation by all; that a number of these countries have had perfectly stable and successful coalition governments over many years; and that there is no hope of binding the minority to the support of new political arrangements in Northern Ireland unless they are admitted to active participation in any new structures.

If the need for actual participation is admitted, there are a number of ways in which it might in practice be achieved. Reference has already been made to the proposal that executive powers in Northern Ireland should be exercised through a structure of committees, and of the difficulty that, while this would increase the active part played by minority interests, it would not in the last resort prevent decisions being taken on a majority vote, if in the event decisions developed along party lines. If, on the other hand,
Northern Ireland were to continue to have a Government, Cabinet or Executive as such, other considerations would apply. In other jurisdictions, a broad basis of government is sometimes achieved by convention, and sometimes by formal constitutional provision.

Apart from what may be described as "committee government", which has already been discussed, there are at least four theoretical means of securing a broadly-based administration in Northern Ireland.

(a) "Entrenched government", whereby certain minority elements must by constitutional requirement be included in a government. This course could present very difficult problems of definition, and impede the development of non-sectarian party structures.

(b) "PR government", whereby all substantial elements elected to the legislature would, in proportion to their respective strengths, secure representation in a government. This course could, however, exclude the possibility of any opposition as currently understood in the legislature and would not be made easier by the very broad range of political opinion.

(c) "Bloc government", whereby the party or parties commanding a majority in the legislature would be required to coalesce with the party or parties commanding a majority of the minority. This would ensure some residual opposition, and make possible the exclusion of small irresponsible groups on the extreme wings of politics, but it in practice would be apt to prove a somewhat complex, inflexible and artificial device.

(d) "Weighted majority government", whereby an incoming government would require the endorsement of the legislature not by a simple majority, but by a majority so weighted as to make necessary a broad range of support. In order to ensure that support would not come from representatives of a single community, the percentage required could hardly be less than 75. The requirement of a weighted majority could
be applied solely to the endorsement of a Government and subsequent Vote of Confidence, or to a wider range of parliamentary business.

61. It must be recognised that there is, in the use of any of these devices, an inherent danger that any major political element could choose, for its own purposes, to bring the system to a standstill. Any such system would therefore have to be underpinned by clear, swift and efficient procedures for the resolution of disputes and the exercise of reserve powers: and such procedures carry the dangerous dilemma that if the political groupings are deadlocked, the holder of reserve powers must either override them or allow the deadlock to persist.

62. Local Government. In the context of any system of administration in Northern Ireland, account must clearly be taken of the "Macrory" re-organisation of local services. The restructuring of local government in Northern Ireland, as in many other cases, proved a difficult and time-consuming affair: there were a number of false starts before the Macrory review body completed its report in 1970. The scheme of local government adopted on the basis of this report was to reduce the existing, basically two-tier structure of local government to a single-tier system of 26 elected district councils exercising local environmental powers: while large scale regional services were to be transferred to the central government, to be managed either directly (e.g., water, sewerage, roads, electoral arrangements) or through Area Boards (personal social services, education and libraries). Plans had already been made to transfer housing administration to a statutory body, the Housing Executive. When the Stormont Parliament was prorogued some of the measures necessary to carry these reforms into effect had already been enacted, some were in the process of passing through that Parliament, and others had still to be introduced. Planning for the detailed implementation of the new structure was far advanced and the uncertainty about local government could not be allowed to persist for much length without serious risk to its future viability. In these circumstances, the United Kingdom government decided that the re-organisation programme should continue, and be carried through to completion, under the temporary powers granted by Parliament. While it would be theoretically possible, after the re-
organisation takes full effect on 1 April, 1973, to "unscramble" it again, there are extremely strong arguments against doing so, if the efficiency of the public services and the morale of those 60,000 people involved in the operation of them are not to be impaired. It was an inherent part of the "Macrory" structure that the Northern Ireland Parliament would constitute a top-tier authority of democratic scrutiny and control of services to be managed henceforth on a Province-wide basis; and there is a need for a central body capable of carrying out that particular function.

62. Representation of Northern Ireland interests in the United Kingdom
Parliament and Government.

Consideration of the number of Members sent by Northern Ireland to the Parliament at Westminster would rest on a number of factors including the extent of powers devolved upon Northern Ireland; the basis of election to Westminster (whether the same as for the rest of the United Kingdom, or the same as at other Northern Ireland elections even if these are conducted on a different basis); and the nature and extent of Westminster involvement in matters covered by devolved powers. Taking into account the nature of any institutions proposed for Northern Ireland and of the powers to be given to them, arrangements will also have to be made to ensure the continuing effective representation of Northern Ireland interest within the United Kingdom government. Moreover, the United Kingdom government will clearly have a major continuing interest in Northern Ireland which must be recognised by suitable machinery of government in London and Belfast.

64. Bill of Rights. Finally there is a wide body of opinion that a Bill of Rights should be enacted in Northern Ireland. There is much to commend this suggestion but in devising any Bill of Rights certain fundamental problems must first be faced, such as what rights are to be enshrined; whether they should be protected through the Courts or by a body specially set up for that purpose; how to secure practical, effective and speedy means of redress and compensation; and how to deal with those who consistently and deliberately infringe the rights of others. What is essential is that any provisions which might be incorporated in legislation should have a practical and not just a declaratory effect.
PART III TOWARDS A SETTLEMENT

SOME BASIC FACTS

65. Part I has dealt with the development of the current situation, and Part II with the proposals and possibilities available to those who must determine the way forward. This part of the Paper, while not setting out to pre-judge the ultimate form of a settlement, places on record some unalterable facts about the situation, and some vital conditions which must be met.

66. The financing of services in Northern Ireland. Northern Ireland contains 35% of the population of the whole of Ireland, and 2.5% of the population of the British Isles. Average earnings per head in April 1971 were only 85% of the Great British average, and unemployment percentages have also consistently been higher than in Great Britain.

67. Such a community has required, and has received in common with other less prosperous areas substantial material support from the United Kingdom as a whole. This has taken many different forms: details of the financial arrangements are given in the White Paper "Northern Ireland: Financial Arrangements and Legislation" (Cmd 4998), in paragraph 15 of which it is demonstrated that special payments and subsidies amounted to some £125 million in 1971/72, and are expected to increase. This compares with a Northern Ireland budget for that year of some £2430 million. In addition, industries vital to Northern Ireland, particularly shipbuilding and aircraft, have been given financial support by Westminster. It must, of course, be remembered that the people of Northern Ireland bear tax obligations virtually identical with those borne by their fellow-citizens in Great Britain, and have made their own distinctive contributions in peace and in war to the progress, life and survival of the nation.

68. The Armed Forces. More recently, the assistance has gone far beyond the provision of financial and economic aid. Since August 1969 when it became apparent that the existing forces of law and order were unable (for whatever reasons) to control a deteriorating security situation, an increasing military commitment became inevitable. On the eve of the disorders in August 1969 the normal peace time strength of the Army in Northern Ireland stood at some 3,000 men; on 12 July 1970 at 13,000; on the day of internment, 9 August 1971, at
some 14,000; and on the day of Operation MOTOR MAN on 31 July 1972, at about 21,000 men. This commitment has proved increasingly onerous and by 1 October 1972, Regular Army casualties in Northern Ireland stood at 132 dead and 380 wounded. It may be argued by some people in Northern Ireland that the situation could, and should, have been dealt with by security forces responsible to the Northern Ireland Government. It should be remembered in this context that the commitment of the Army in aid of the civil power came about only at the request of the Northern Ireland Government and after the civil power in Northern Ireland had failed to contain the situation by use of the regular and reserve forces available to it. It must also be emphasised that this commitment preceded the Hunt Report and the subsequent reorganisation of the police. Nor could the situation as it has since developed have been met other than by the raising of a local full-time military force, which is outside the constitutional competence of the Parliament and Government of Northern Ireland.

As in the financial and economic fields, so in the security field the support accorded to Northern Ireland is what its inhabitants (many of whom have themselves served with distinction in the Armed Forces) have a right to expect as citizens of the United Kingdom; but its extent is not always adequately appreciated. Moreover, it is quite apparent that, once peace and stability in Northern Ireland have been restored, its rehabilitation and the restoration of its full potential for social and economic growth will involve an investment of national economic resources on a very substantial scale. The mere task of replacing and compensation for what has been damaged or destroyed will be enormous, but beyond this lies the still more demanding work of re-creating confidence and the capacity to attract new investment at the high rate required. These tasks will demand an effort not just by Northern Ireland but by the United Kingdom as a whole.

The interdependence of Northern Ireland. Any proposed political settlement which considered Northern Ireland in isolation would be unrealistic. In a world of growing inter-dependence, where even the aspirations of major sovereign powers can only be fully met by their participation in wider associations and communities, a small area such as Northern Ireland cannot, without the gravest consequences...
for its own citizens, make its own way. Even if it were feasible for Northern Ireland so to reduce its expenditures as to be able to live within its own real resources - and such a reduction would greatly lower the standards of life and of services enjoyed by the whole community - it would remain dependent upon external investment and external trade, and upon its standing and credit-worthiness in the European and the wider international communities.

Northern Ireland cannot expect to negotiate a form of independence which would guarantee substantial continuing financial, economic and military aid from the United Kingdom but which would otherwise confer upon it virtually sovereign status. No United Kingdom Government could be a party to such a settlement. Nor could any United Kingdom Government in honour and in conscience simply withdraw from its obligations to so many United Kingdom citizens in a way which could lead to the most serious disorder and instability within sight of the mainland of Great Britain. It may be argued by some that if Northern Ireland was prepared to accept a drastic fall in the standards of living and services it could in that sense be viable though at a very high cost to all its people; but that is too limited a view. Such a form of government could not be viable in a much more fundamental sense, that of being a state commanding the loyalty of the overwhelming majority of its own citizens and the respect of the international community.
THE UNITED KINGDOM INTEREST

Division and disorder in Northern Ireland are liabilities both to that Province and to the United Kingdom as a whole; and in seeking to restore order and resume progress there the United Kingdom Government are serving both the national interest and the true interest of all the people of Northern Ireland. The United Kingdom Government has three major concerns in Northern Ireland. First, that it should be internally at peace – a divided and strife-ridden Province is bound to disturb and weaken the whole Kingdom. Second, that it should prosper, so as to contribute to and not detract from the prosperity of the whole. Third, that Northern Ireland should not offer a base for any external threat to the security of the United Kingdom. In pursuing these objectives, the Government will wish to consider at all times the views and interests in Northern Ireland and to take them as fully as possible into account. So long as it is the wish of the majority of the people of Northern Ireland that the Province should remain part of the United Kingdom, the United Kingdom Parliament must be the sovereign authority over all persons, matters and things in Northern Ireland, and the ultimate acceptance of that authority must be a necessary condition of the financial, economic and military assistance from which Northern Ireland benefits as a part of the United Kingdom. While such assistance continues, or may be required in the future, no Government could recommend a settlement to Parliament which did not give the Government an effective voice in the use to which it is put.
A recognition of the right of self-determination of the people of Northern Ireland does not exclude the legitimate interest of other parties. To say that it would be wrong to terminate the relationship between Northern Ireland and the rest of the United Kingdom against the wishes of a majority in Northern Ireland is not to say that it is for Northern Ireland alone to determine how it shall be governed as a part of the United Kingdom, since its association with Great Britain involves rights and obligations on both sides; it is to say that insistence upon membership of the United Kingdom carries with it the obligations of membership including acceptance of the sovereignty of Parliament as representing the people as a whole.

THE IRISH DIMENSION

A settlement must also recognise Northern Ireland's position within Ireland as a whole. The guarantee to the people of Northern Ireland that the status of Northern Ireland as part of the United Kingdom will not be changed without their consent is an absolute: this pledge cannot and will not be set aside. Nevertheless it is a fact that Northern Ireland is part of the geographical entity of Ireland; that it shares with the Irish Republic common problems, such as the under-development of western areas; and that, in the context of membership of the European Communities, Northern Ireland and the Republic will have certain common difficulties and opportunities which will differ in some respects from those which will face Great Britain. It is also a fact that an element of the minority in Northern Ireland has hitherto seen itself as simply a part of the
The problem of accommodating that minority within the political structures of Northern Ireland has to some considerable extent been an aspect of a wider problem within Ireland as a whole. Even if the minority had themselves been more disposed, and more encouraged than they were, to accept the settlement of 1920, they would still have been subject to those powerful influences which regard the unification of Ireland as "unfinished business", declined to accept the institutions of Northern Ireland as legitimate, and were made manifest in the Irish Constitution of 1937. As long as such influences continue to exist they are bound to be a powerful factor to be taken into account in the search for stability in Northern Ireland. Moreover the problem of political terrorism, which has reached such proportions in Northern Ireland today, has always had manifestations throughout the island (although, of course, the great majority of those who wish to see the unification of Ireland do not advocate or approve of the use of violence to achieve it).

No United Kingdom Government for many years has had any wish to impede the realisation of Irish unity, if it were to come about by genuine and freely given mutual agreement and on conditions acceptable to the distinctive communities. Indeed the Act of 1920 itself, which has for so many years been the foundation of Northern Ireland's constitutional status, explicitly provided means to move towards ultimate unity on just such a basis; but the will to work this was never present. It is a matter of historical fact that this failure stemmed from decisions and actions repeatedly taken, not only in Great Britain and Northern
Ireland but in the Republic of Ireland also.

Whatever arrangements are made for the future administration of Northern Ireland must take account of the Province's relationship with the Republic of Ireland: and to the extent that this is done, there is an obligation upon the Republic to reciprocate. Both the economy and the security of the two areas are to some considerable extent inter-dependent, and the same is true of both in their relationship with Great Britain. It is therefore clearly desirable that any new arrangements for Northern Ireland should, whilst meeting the wishes of Northern Ireland and Great Britain, be so far as possible acceptable to and accepted by the Republic of Ireland which from 1st January, 1973 will share the rights and obligations of membership of the European Communities. It remains the view of the United Kingdom Government that it is for the people of Northern Ireland to decide what should be their relationship to the United Kingdom and to the Republic of Ireland: and that it should not be impossible to devise means which will meet the best interests of all three. Such means would seek to secure the acceptance, in both Northern Ireland and in the Republic, of the present status of Northern Ireland, and of the possibility - which would have to be compatible with the principle of consent - of subsequent change in that status; to make possible effective consultation and co-operation in Ireland for the benefit of North and South alike; and to provide a firm basis for concerted governmental and community action against those terrorist organisations which represent a threat to free democratic institutions in Ireland as a whole.
PART IV: THE WAY FORWARD

79. What conclusions may be drawn from the foregoing review of fact or opinion about the future shape of the administration of Northern Ireland? In general, there are widely-differing views about the desirable functions, powers and form of an assembly or authority, and its precise relationship with the sovereign Parliament and Government of the United Kingdom. At the one extreme, the argument is for a substantial form of regional authority; at the other, for a Parliament which would not only have the existing powers of the Northern Ireland Parliament but would be in a position to exercise them more freely. This is not the appropriate stage at which to form a final judgment on these matters, but in the view of Her Majesty's Government any firm proposals must meet the following criteria -

(a) In accordance with the specific pledges given by successive United Kingdom Governments, Northern Ireland must and will remain part of the United Kingdom for as long as that is the wish of a majority of the people; but that status does not preclude the necessary taking into account of what has been described in this Green Paper as the "Irish Dimension".

(b) As long as a majority of people of Northern Ireland wish to remain part of the United Kingdom: the sovereignty of the United Kingdom Parliament must be acknowledged, and due provision made for the United Kingdom Government to have an effective and continuing
voice in Northern Ireland's affairs, commensurate with the commitment of financial, economic and military resources in the Province.

(c) Any division of powers and responsibilities between the national and the regional authorities must be logical, open and clearly understood. Ambiguity in the relationship is a prescription for confusion and misunderstanding. Any necessary checks, balances or controls must be apparent on the face of a new constitutional scheme.

(d) The two primary purposes of any new institutions must be first to seek a much wider consensus than has hitherto existed; and second to be such as will work efficiently and will be capable of providing the concrete results of good government: peace and order, physical development, social and economic progress. This is fundamental because Northern Ireland's problems flow not just from a clash of national aspirations or from friction between the communities, but also from social and economic conditions such as inadequate housing and unemployment.

(e) Any new institutions must be of a simple and businesslike character, appropriate to the powers and functions of a regional authority in a comparatively small area.
(f) A Northern Ireland assembly or authority must be capable of involving all its members constructively in ways which satisfy them and those they represent that the whole community has a part to play in the government of the Province. As a minimum this would involve assuring minority groups of an effective voice and a real influence; but there are strong arguments that the objective of real participation should be achieved by giving minority interests a share in the exercise of executive power if this can be achieved by means which are not unduly complex or artificial, and which do not represent an obstacle to effective government.

(g) There must be an assurance, built into any new structures, that there will be absolute fairness and equality of opportunity for all. The future administration of Northern Ireland must be seen to be completely even-handed both in law and in fact.

(h) It is of great importance that future arrangements for security and public order in Northern Ireland must command public confidence, both in Northern Ireland and itself, in the United Kingdom as a whole. If they are to do so they must be seen in practice to be as impartial and effective as possible in restoring and maintaining peace and public order. In any situation such as that which obtains at present, where the Army and the civilian police force are both involved in
maintaining law and order and combatting terrorism, it is essential that there should be a single source of direct responsibility. Since Westminster alone can control the Armed Forces of the Crown this unified control must mean Westminster control. For the future any arrangements must ensure that the United Kingdom Government has an effective and a determining voice in relation to any circumstances which involve, or may involve in the future, the commitment of the Armed Forces, the use of emergency powers, or repercussions at international level.

The objective now must be to advance as rapidly as possible towards the preparation of a comprehensive new scheme for the government of Northern Ireland which will satisfy these fundamental conditions.

The period of one year for which, unless extended, the Northern Ireland (Temporary Provisions) Act, 1972 remains in force, comes to an end on 30th March, 1973. While it is possible to extend its application for a further limited period until more permanent arrangements are made, there are strong grounds for keeping such a period to a minimum. The temporary arrangements for the discharge of both law-making and executive responsibilities are not suitable for long-term use. In particular, it would be unsatisfactory to continue indefinitely making important legislative provision for Northern Ireland by way of Orders in Council, or to have Northern Ireland for a lengthy period both under-represented in the Westminster Parliament and with no effective democratic forum of its own. Moreover, continuing uncertainty about the future is unsettling to the
public service, and can feed the fears and suspicions of a wider public.

82. As the Government move towards a settlement they will of course wish to continue to take Northern Ireland opinion fully into account. In this regard, something may be learned from the local government elections which are to take place on 6th December. The wishes of the people of Northern Ireland on their relationship to the United Kingdom and to the Republic will be ascertained by a plebiscite early in the New Year. But it will be essential for the formulation of new arrangements to hold further and separate consultations on the issues and options set out in this Green Paper, with the object of discovering how far the various stands of opinion can be brought together into a broad consensus. Such a process must of its nature be pragmatic and must take a form which permits those who accept the need for peaceful discussion to take part.

83. When the process of consultation has been completed, the United Kingdom Government have the responsibility of putting forward proposals, and of recommending them to Parliament. They will do this in the knowledge that there is no definite answer to questions as difficult and long-standing as these; no panacea which can transform strife into harmony. Whatever the constitutional arrangements may be, many difficult practical problems will remain. There is not least the great need to rid Northern Ireland of the presence and threat of violence. Both
political theory and practical experience show that no scheme of government, however carefully drawn, can do more than present an opportunity for progress. It is in the hearts and minds of the people of Northern Ireland, and not just in the aims of Government or the words of Acts of Parliament, that the capacity for working and living together must flourish. For the ultimate truth is that the people of Northern Ireland need each other, and that to squander their great talents in bitter conflict is to diminish the prospects of them all. It is the profound wish and hope of the United Kingdom Government that this fundamental truth will be recognised, and will be the basis on which all concerned will take part, in the further consultations for which this Paper is introduced to provide a basis.
1. The main points of the Act of 1920 as it came into force in Northern Ireland were as follows:

(i) It provided for the establishment in Belfast of a bicameral Parliament, consisting of a 52 member House of Commons elected by Proportional Representation, and a Senate of 26 Members, 24 elected by the Members of the Northern Ireland House of Commons and two (the Lord Mayor of Belfast and Mayor of Londonderry) sitting ex officio.

(ii) This Parliament was given a general power to make laws for "the peace, order and good government" of Northern Ireland, subject to certain specific reservations, conditions and safeguards. In particular:

(a) The Act specifically reserved to the Parliament of the United Kingdom certain powers principally relating to the Armed Forces, the Crown, and international matters.

(b) The fiscal powers of the Northern Ireland Parliament were severely restricted by the reservation to the Parliament of the United Kingdom of power to levy income tax, customs excise duties.
(c) The Northern Ireland Parliament was specifically prohibited from making laws and the Northern Ireland Government from taking administrative action other than on a basis of religious equality.

(d) Section 75 of the Act provided that:

"the supreme authority of the Parliament of the United Kingdom shall remain unaffected and undiminished over all persons, matters and things in Northern Ireland and every part thereof".

(iii) The Governor of Northern Ireland, in whom the executive powers of the Northern Ireland Parliament were vested, was "aided and advised" by the executive committee of the Privy Council, or Cabinet consisting of Ministers of Northern Ireland.

(iv) Northern Ireland was to be represented in the Parliament of the United Kingdom by 12 Members for territorial constituencies and one for the Queen's University of Belfast.

(v) Northern Ireland was to make towards "Imperial liabilities and expenditure" a "just" contribution having regard to the relative taxable capacities of Northern Ireland and the United Kingdom as a whole.
2. The Act also made provision for a Council of Ireland, whose purpose was defined in the Explanatory Memorandum to the Government of Ireland Bill in the following terms:

"Although at the beginning there are to be two Parliaments and two Governments in Ireland, the Act contemplates and affords every facility for union between North and South, and empowers the two Parliaments by mutual agreement and joint action to terminate partition and to set up one Parliament and one Government for the whole of Ireland. With a view to the eventual establishment of a single Parliament, and to bringing about harmonious action between the two Parliaments and Governments, there is created a bond of union in the meantime by means of a Council of Ireland, which is to consist of 20 representatives elected by each Parliament, and a President nominated by the Lord Lieutenant. It will fall to the members of this body to initiate proposals for united action on the part of the two Parliaments and to bring forward those proposals in the respective Parliaments."

The Act reserved certain specific but limited matters to the Council, provided that the Belfast and Dublin Parliaments might confer additional functions upon it by identical legislation, and charged it with the specific duty of considering what further matters might, in the general interest of the whole of Ireland, best be administered on a central basis rather than by the two separate administrations.
noted in Annex 1, the

1. As/ Government of Ireland Act 1920 included provisions to establish a Council of Ireland as a means to facilitate ultimate unity between the Parliaments and Governments to be set up with equal powers and status, and both within the United Kingdom.

2. The Act duly came into force in May 1921, but the Parliament of Southern Ireland never effectively met, because of the massive swing of public opinion in the South behind the much more radical separatist aims of Sinn Fein. As a result, the Southern membership of the Council of Ireland was never elected.

3. The "truce" of July 1921 was followed by further discussions between British representatives and the representatives of Sinn Fein, leading eventually to the conclusion of the Treaty which received parliamentary confirmation in the Irish Free State (Agreement) Act 1922. This agreement granted dominion status to the whole of Ireland, but allowed to Northern Ireland the option (which was swiftly exercised) of remaining outside the new Irish State and retaining the system of government established by the Act of 1920, including the provisions relating to the Council of Ireland, slightly amended to take account of the constitutional changes in the South. However, although the Parliament of Northern Ireland appointed its representatives to the Council as early as June 1921, the new Parliament or Oireachtas of the Irish Free State never reciprocated. Thus the Council did not function, and the matters specifically reserved to it by the Act of 1920 were for a time exercised in Belfast by a United Kingdom official known as the Imperial Secretary.

4. The Treaty had also provided for a Boundary Commission to consider adjustment of the border between North and South, taking account as far as possible of the
wishes of the inhabitants; and there can be little doubt that the parties
to the agreement had somewhat different impressions of the likely outcome,
apparently with the Irish representatives anticipating, or at least hoping for, such a
substantial contraction of Northern Ireland in terms of area and population that its future viability would be in question. The establishment of the Commission was attended by various difficulties, but eventually it carried out its work and completed its award under the Chairmanship of the South African judge, Mr Justice Feetham. The nature of the award (which transferred to the Irish Free State some comparatively limited areas of Northern Ireland, but which also transferred to Northern Ireland less extensive areas of the Free State) was a grave disappointment to the Dublin Government and in the event it was agreed between the British, Northern Irish and Irish Free State Governments that the Report should not be published, but that the existing boundary should be re-affirmed. This agreement (endorsed by the Ireland (Confirmation of Agreement) Act 1925) also pledged the two Irish Governments to a friendly and neighbourly relationship, to be underpinned by regular cross-border meetings.

5. Unfortunately the expectations prompted by this agreement were not fulfilled, and in 1937 there was promulgated a new Irish Constitution, which proclaimed that the "national territory" consisted of the whole island of Ireland. The Irish Government growing gulf between North and South was further accentuated when they chose to remain neutral throughout the Second World War in which Northern Ireland was fully engaged, of its own choice, as a part of the United Kingdom. In 1948 that Government decided to sever its links with the Crown and Commonwealth and to establish an Irish Republic. In the subsequent United Kingdom legislation made necessary by these developments (the Ireland Act 1949) Parliament affirmed that Northern Ireland remained part of the United Kingdom, and that neither Northern Ireland as a whole nor any part thereof should cease to be part of the United Kingdom without the consent of the Northern Ireland Parliament.
6. While the progressive withdrawal of what had been the Irish Free State from its formal associations with the British Commonwealth and the Crown inevitably changed the nature of partition, this did not prevent in the post-war era the development of certain measures of practical co-operation between the Governments in Ireland - as, for example, in the establishment of the Lough Foyle Fisheries Commission, the Erne drainage and hydro-electricity scheme, and joint action to save the Great Northern Railway. In 1965 meetings took place between the Prime Ministers of Northern Ireland and the Irish Republic leading to a closer co-operation in tourist promotion and other areas and to the establishment of an inter-connector between the two electricity systems.

7. A more or less permanent irritant in the relationship between Northern Ireland and the Irish Republic was, of course, the periodic activity of militant republican elements. At its inception Northern Ireland had suffered the impact of a major terrorist campaign, and although it enjoyed thereafter some prolonged periods of more or less complete peace, the threat of renewed violence was felt to be ever present, and indeed become a reality at different times, as for example, between 1956 and 1962. Frequently this activity took the form of armed raids throughout across the border, and the supreme directorate of the Irish Republican Army was based in the South. Although firm action (including, for instance, the use of internment powers between 1957 and 1961) was from time to time taken in the Republic, the IRA remained a continuing threat.

8. More recently, during the present period of troubles in Northern Ireland, the Prime Minister of the Irish Republic has consistently maintained that unification is the ultimate, desirable solution for Ireland as a whole; but that this cannot be achieved overnight, nor can its achievement be furthered by the activities of terrorists. There has nevertheless been considerable feeling
that there has been insufficient firm action within the Republic to control and contain terrorists who openly maintain headquarters in Dublin and who are, by their own admission, responsible for acts of murder and violence in Northern Ireland. This has been compounded by allegations, (which evidence the Arms Trials in Dublin in 1970 suggested might well be founded upon fact), that there have been instances in which members of the government machine in the Republic have actively assisted the terrorist cause in the North.

9. Within the Republic, public opinion has often felt that the Northern Ireland Government were insufficiently sensitive to the grievances felt by the Catholic minority, and that this in itself created the atmosphere in which terrorists were able to operate. While it has been widely accepted in the Republic that the security situation warranted exceptional measures by the Administration in the North, there have been doubts expressed about the validity of internment, and concern at certain stories which have regularly appeared in the Irish press purporting to describe the activities of members of the British Army who are in Northern Ireland to assist the civil power. The misreporting of events at Londonderry on 30 January provoked public emotions in the Republic to the extent that the British Embassy in Dublin was attacked and destroyed. The Irish Government also found it necessary to make certain allegations against the United Kingdom/European Commission of Human Rights concerning the activities of the authorities in Northern Ireland. Certain of the allegations (including those relating to events at Londonderry on 30 January) were rejected by the Commission on 1 October 1972. Others were declared admissible within the terms of the Convention, without any prejudice to a verdict on their accuracy or validity, and can now be referred to a substantive hearing at a later date.
A five-point reform programme was announced by the Prime Minister of Northern Ireland on 22 November 1968. Successive Northern Ireland governments have been firmly committed to the implementation of this programme and indeed expanded it as time went on. The initial proposals were:

(i) the substitution of a broadly-based Development Commission for elected local government in the Londonderry area – implemented by the establishment of the Londonderry Development Commission on 5 February 1969;

(ii) the future allocation of public authority housing on a points system – implemented on the basis of the model points scheme referred to in the Commission of 29 August 1969;

(iii) new methods of investigating citizens' grievances – implemented by the appointment of a Parliamentary Commissioner for Administration and a Commissioner for Complaints under two new Acts of Parliament which became law on 24 June 1969 and 25 November 1969 respectively; (the statutory limit of the Parliamentary Commissioner being subsequently extended to cover, in addition to the functions discharged by his Westminster counterpart, the investigation of matters of personnel administration; and by arrangement to cover certain matters arising out of the anti-discrimination clause in Northern Ireland Government contracts).
the abolition of the Business Vote at elections for Stormont, extended in March 1969 to include the substitution of universal adult suffrage for the ratepayers' franchise at local government elections - implemented in the Electoral Law Acts of 1968 and 1969;

(v) a promise to review the Civil Authorities (Special Powers) Act and Regulations as soon as the situation permitted.

2. Further reforms followed. The Northern Ireland Government accepted the recommendations of the Hunt Committee that the Royal Ulster Constabulary should become a normally unarmed force and that defence of Northern Ireland against armed terrorists should be a military responsibility. Thus a new structure for the police force was embodied in the Police Act of 1970 and the Ulster Special Constabulary was replaced by the RUC Reserve established under that Act. In addition the part-time Ulster Defence Regiment which was established by the United Kingdom Government to assist the Army in its security role became operational on 1 April 1970.

3. Provision for a central housing authority to be responsible for all public authority house building, management and allocation was made in the Housing Executive Act which became law on 25 February 1971.

4. Following the decision to centralise housing responsibility a committee under the Chairmanship of Mr Patrick Macrory was set up to review the then existing plans for the reorganisation of local government.

5. In the context of local government reorganisation an interim Staff Commission was established in June 1970 on a non-statutory basis to assist central and local government with the complex staffing difficulties of reorganisation. Provision for a permanent and statutory local government Staff
Commission was made in the Local Government Act (Northern Ireland) 1972.

6. The Ministry of Community Relations was established under legislation which became law on 28 October 1969. Among other things the Ministry was charged with the responsibility of obtaining declarations of equality of employment opportunity from public bodies and local authorities and of ensuring that the same employing authorities devolved and adopted acceptable codes of employment procedure. In addition a Community Relations Commission was appointed under the Community Relations Act (Northern Ireland) 1969.

7. The Northern Ireland Government also made proposals for the reform of the Stormont Parliament. On 22 June 1971 Mr Faulkner, then Prime Minister, announced that the Government intended to recommend to Parliament a new committee system. In addition to the Public Accounts Committee there would be three new functional committees covering respectively the fields of social services, environmental services and industrial services. It was intended that the committees should be representative of party strength in the House and that members of the Opposition should chair at least two. These proposals were later incorporated in a Green Paper on the Future Development of the Parliament and Government of Northern Ireland published in October 1971 (Cmd 560 of 1971) which canvassed among other things the possibility of introducing Proportional Representation of increasing the size of the House of Commons and of widening the basis of the Senate. They were taken a stage further in correspondence between the government of Northern Ireland and the United Kingdom, referred to in the Northern Ireland Government's White Paper "Political Settlement" (Cmd 568 of 1972).
20 October 1972

CABINET

THE QUEEN'S SPEECH ON THE PROROGATION OF PARLIAMENT

Note by the Secretary of the Cabinet

I circulate for the information of the Cabinet a copy of The Queen's Speech on the Prorogation of Parliament in the form in which it is being submitted to The Queen

Signed BURKE TREND

Cabinet Office
20 October 1972
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My Husband and I recall with pleasure our visits to Thailand, Singapore, Malaysia, Brunei, Maldives, the Seychelles, Mauritius and Kenya, to France, and to Yugoslavia. We also had the pleasure of welcoming to this country Queen Juliana and Prince Bernhard of the Netherlands, the Grand Duke and Duchess of Luxembourg and the President of the Federal Republic of Germany and Frau Heinemann.

2. Negotiations for British membership of the European Communities were successfully concluded by my Ministers. Following the passage of legislation making the requisite changes in United Kingdom law an Instrument of Ratification of the Treaty of Accession has been deposited. Accession to all three Communities will take place on 1 January 1973. At the European Summit my Government joined with the other Governments in formulating constructive policies for the future development of the Communities.

3. My Ministers have played a full part in the North Atlantic Alliance and have striven to improve relations between East and West. Ambassadors have been exchanged with the People's Republic of China. My Government have continued their efforts to achieve international agreement on arms control and disarmament and have signed the Biological Weapons Convention.

4. My Government regret the decision of Pakistan to withdraw from the Commonwealth. They welcome as a Commonwealth partner the People's Republic of Bangladesh and are making a substantial contribution to relief and rehabilitation in Bangladesh.

5. My Ministers welcomed the opportunity for discussions with the Shah of Iran during his private visit to this country in June. My Government reaffirmed their support for the Central Treaty Organisation at the Ministerial Meeting in London in June.
6. My Government deplore the action of the Government of Uganda in expelling residents of Asian descent. They have made strong representations to the Ugandan Government and have sought the support of many Commonwealth and foreign governments in offering to those expelled a choice of countries in which to live. My Ministers accept the responsibility to admit to this country any citizens of the United Kingdom and Colonies who are expelled from Uganda and wish to make their homes here. The Uganda Resettlement Board has been established to ensure the orderly reception and resettlement of these unfortunate people.

7. I have been deeply grieved at the loss of innocent lives in Northern Ireland as a result of terrorism.

8. The Parliament of Northern Ireland has been prorogued and provision made for direct rule for one year. My Ministers have striven for peace and understanding in the Province and a just share in its government for all its citizens. A conference has been held as part of the process of consulting people and organisations on the future constitutional framework for Northern Ireland.

9. My Armed Forces are carrying out with skill and determination their difficult and dangerous duties in Northern Ireland. Their courage deserves the greatest admiration and they will continue to act with vigour against lawlessness from any quarter.

MEMBERS OF THE HOUSE OF COMMONS

10. I thank you for the provision which you have made for the honour and dignity of the Crown and for the public services.
MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

11. My Government have taken vigorous steps to encourage economic growth and industrial modernisation and to increase employment. Special attention has been paid to the problems of the assisted areas. Legislation has been passed to make regional development grants, to give selective financial assistance to industry and to provide special help for shipbuilding.

12. All remaining short and medium term official overseas debt has been repaid. The reserves are at a satisfactory level. In June my Government decided that for the time being the sterling exchange rate should not be maintained within the normal dealing margins. My Government welcome the establishment of a new Committee of Twenty in the International Monetary Fund which will meet at Ministerial level to press forward the study of international monetary reform.

13. The burden of taxation has again been significantly reduced. Tax reform has been carried forward by providing for a new system of company taxation, for the abolition of purchase tax and selective employment tax, and for the introduction of a value added tax. My Ministers have published Green Papers containing proposals for a new tax credit system and for a different death duty system.

14. Under the Industrial Relations Act, 1971 a code of industrial relations practice containing guidance for management and trade unions has been approved. Training opportunities for individuals have been greatly improved. My Government have announced proposals for the reform of industrial training arrangements.

15. Acts have been passed to strengthen the finances of the British Steel Corporation and to reorganise the gas industry.
16. My Government have taken active steps to promote a strong agricultural industry which will be competitive within the enlarged European Economic Community. Support is being given to the British fishing fleet in the exercise of their right to fish on the high seas off Iceland.

17. New arrangements covering Government-financed research and development, the Research Councils and the use of scientific manpower in the Civil Service have been announced.

18. My Government have continued their policies of protecting and improving the quality of the environment. Legislation has been passed to prevent the irresponsible disposal of poisonous wastes on land. My Government played a leading part in the United Nations Conference on the Human Environment.

19. Legislation has been passed to reform the finance of rented housing, to give help to tenants who need it, and to make improved financial arrangements for slum clearance.

20. Legislation has been passed for the reorganisation of local government in England (outside Greater London) and Wales.

21. An Act has been passed to reorganise the health services in Scotland and to establish a Health Commissioner to deal with complaints.

22. Substantial increases have been made in national insurance retirement pensions and related benefits under the first of the annual reviews introduced by my Government.

23. Provision has been made for substantial extension of the attendance allowance for the disabled; and family income supplements have been increased.

24. Proposals have been published for the future development of State and occupational pensions.
25. Pension schemes of the public services have been reformed. An Act has been passed to improve and widen the scope of the parliamentary pension scheme.

26. The school-leaving age has been raised to 16.

27. Grants to direct grant schools have been increased.

28. An Independent Broadcasting Authority has been established.

29. An Act has been passed to widen the powers of the courts to deal with offenders, strengthen the administration of criminal justice and reform the qualifications for jury service.

30. Legislation has been passed to improve the facilities for giving legal advice and assistance to persons of moderate means.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

I pray that the blessing of Almighty God may attend you.

19 October 1972
CABINET

DEFAULT ON THE HOUSING FINANCE ACT IN ENGLAND

Memorandum by the Secretary of State for the Environment

1. On 29 September the Cabinet (CM(72) 43rd Conclusions, Minute 5) invited me to put in hand the initial procedures for default under the Housing Finance Act and to report further on the situation towards the end of October.

2. Birmingham County Borough (CB), South Shields CB, Salford CB, Canterbury CB, Mansfield Borough (B), Slough B, Skelmersdale and Holland Urban District (UD), Carlisle CB and Garforth UD have now resolved to implement the Act. There is also a good chance that Doncaster CB, West Bromwich CB and Newton-le-Willows UD will so resolve within the next two or three weeks.

3. The following authorities (all of whom have received a notice that I am considering making a default order against them) are at present likely to persist in their recalcitrance:

   Camden Local Borough
   Barrow CB
   Walsall CB
   Eccles B
   Bedworth UD
   Clay Cross UD
   Halstead UD
   Conisbrough UD

(In addition Long Eaton UD may continue in default over the amount of the October 1972 rent increase, in which case I would also send them a notice). Camden are implementing the Act on rent rebates and allowances but are refusing to increase rents in October 1972.

4. The recipients of the notices have one month in which to make representations. If, when this period expires (in most cases on 6 November), any authority listed in paragraph 3 above still shows no signs of changing their attitude, I would feel obliged to make the default order which my notice said I was considering. Failure to make the default order in such a case would undermine our credibility with both
our supporters and our opponents. The default order would require the authority to remedy the default within a specified period which, I suggest, should normally be 14 days.

5. It seems clear that the recalcitrant authorities in England would positively welcome the appointment of a Housing Commissioner first, because this would place on the Government the odium of making the October 1972 rent increases and second, because they believe that a Commissioner would put an end to the loss caused by non-implementation and so reduce the risk of surcharge by the district auditor on the councillors responsible. I have sought to make it clear that authorities must not count on my appointing a Commissioner in preference to other remedies, including extraordinary audit with a view to surcharge leading also to the disqualification of the councillors responsible. The threat not to appoint a Commissioner effectively broke resistance at Salford CB. Once appointed, a Housing Commissioner might not be easy to withdraw and could well have a difficult time. I consider therefore that, once a default order is made, the most effective way of ending the default would normally be to refrain from appointing a Housing Commissioner, and to direct the district auditor to hold an extraordinary audit of the authority's housing accounts. We would hold in reserve the options of appointing a Housing Commissioner, obtaining an order of mandamus from the Divisional Court requiring the authority to remedy the default, and reducing housing subsidies.

6. A direction to hold an extraordinary audit demonstrates the Government's concern to protect the authority's ratepayers against the misconduct of certain councillors. If (as is likely) extraordinary audit looks like resulting in a surcharge of more than £500 on each of the councillors responsible, some of them may be induced to vote for implementation because the surcharge would automatically disqualify them from election, or from being a member of a local authority, for five years. If the surcharge was made, the disqualification would normally so change the composition of the council as to result in a majority in favour of implementation, without the need to appoint a Housing Commissioner.

7. The district auditor would begin the extraordinary audit not less than three days after he had been directed to hold it. The audit might take one week. If the auditor considered that there was a prima facie case for surcharge, he would serve notice on the councillors concerned to show why there should not be a surcharge and would give them a hearing. At that stage the required number of recalcitrant councillors may be induced to vote for implementation so as to have a defence against the auditor. After the hearing the auditor would give his decision and, if he saw fit, surcharge the councillors concerned. Any councillor surcharged for more than £500 would automatically be disqualified from election, or from being a member of a local authority, for five years (unless the surcharge is removed as a result of an appeal to the High Court). If (after any appeal) the councillor refused to pay the
surcharge, the district auditor could in practice only obtain payment by an order for attachment of earnings. The Court makes the order on the basis of the councillor's declaration of income. If he refuses to declare his income, the Court can imprison him for contempt for periods of up to a fortnight. But such a situation is unlikely to arise until after the authority's default had been remedied eg by those councillors who had not been disqualified or by the appointment of a Housing Commissioner. It seems unlikely that a surcharged councillor would court martyrdom at that stage by refusing to declare his income, as it would no longer achieve the purpose of frustrating the Act.

3. I seek the agreement of my colleagues that

   1. If, one month after the issue of the notice that I am considering a default order, a local authority showed no signs of remedying the default, I should make a default order against them requiring them to remedy the default within 14 days.

   2. When a default order has been made, I should direct the district auditor to hold an extraordinary audit of the authority's housing accounts.

   3. I should report further on the situation in about a month.

P W

Department of the Environment

23 October 1972
23 October 1972

CABINET

HOUSING FINANCE ACT - DEFAULT PROCEDURE

Memorandum by the Secretary of State for Wales

1. I was invited to set in train the initial default procedure against the five local authorities in Wales who are refusing to implement the Housing Finance Act, and to make a further report on the situation towards the end of October (CM(72) 43rd Conclusions, Minute 5).

2. Letters were sent to the five local authorities on 5 October telling them that I was considering making default orders and would have regard to any representations they made within the next month.

3. The only reply I have yet received is from Bedwas and Machen Urban District Council (UDC) setting out their reasons for refusing to implement the Act, and inviting me to appoint a Housing Commissioner.

4. Merthyr Tydfil County Borough and Cwmbran UDC will have held meetings to consider my letter before we discuss this memorandum, and I hope to be in a position to let the Cabinet know their reactions during our discussion. Vaynor and Penderyn Rural District Council (RDC) are meeting on 26 October.

5. Ystradgynlais RDC have asked me to receive a deputation to discuss my direction that they should make a 90p increase instead of the 65p increase they had sought. I have agreed to see them and hope they may decide to implement the Act.

DEFAULT ORDERS

6. I propose after 5 November to make default orders against those authorities who have still not taken steps to implement the Act. In these orders I will give them 14 days in which to remedy their default.
SUBSEQUENT ACTION

7. I propose that if, after the time limit in the default order has expired, there are still recalcitrant authorities (as I would expect), I should proceed to the appointment of Housing Commissioners. I am at the moment considering the availability of possible appointees.

8. I remain convinced that, as far as Wales is concerned, there will be no advantage in my directing an extraordinary audit. The most stubborn authority is likely to be Merthyr Tydfil and, I am sure, from my experience of the school milk issue, that it would simply expose us to ridicule if an extraordinary audit were ordered on this occasion. The Council will court the penalties which might follow, and will in any case welcome the chance of procrastination and the possibility of legal proceedings, which they would be given. My main purpose must be to make sure that the benefits of the Act are enjoyed by tenants as soon as possible, and I believe I can best achieve this by appointing Commissioners. The recalcitrant authorities have all asked for Commissioners to be appointed and have expressed willingness to co-operate with them.

9. I seek my colleagues' agreement to the action proposed in paragraphs 6 and 7 of this memorandum.

P J M T

Welsh Office

23 October 1972
CABINET

SOCIAL SECURITY BILL: DRAFT WHITE PAPER

Memorandum by the Secretary of State for Social Services

1. I circulate for the information of my colleagues the text of the Explanatory Memorandum on the Social Security Bill, which I am proposing to publish as a Command Paper with the forthcoming Bill to implement the proposals in the White Paper "Strategy for Pensions" (Cmnd 4755).

2. The Memorandum is a factual account of the provisions of the Bill relating to basic scheme contributions and benefits, the "recognition" of occupational pension schemes, the preservation of occupational pension rights on change of employment and the introduction of the reserve pension scheme. It will be accompanied by the Report of the Government Actuary on the Financial Provisions of the Bill.

3. The main proposals covering the reconstruction of national insurance and the preservation of occupational pension rights were endorsed by the Cabinet on 9 February 1971 (Cm(71) 9th Conclusions, Minute 4). At a meeting on 15 June 1971 the Home and Social Affairs Committee gave its approval to the proposals in "Strategy for Pensions". The Committee also agreed that changes in short-term benefits should be limited to those needed to adapt the contribution conditions for benefits to the new contribution system.

4. Subsequently the Committee were consulted about further subsidiary issues which arose during the course of working out the details for the Bill. Outstanding questions on the basic and reserve schemes, the conditions for "recognition" of occupational pension schemes, other aspects of such schemes and basic scheme increments were settled by correspondence; and agreement was reached on the forfeiture of pension rights at a meeting of the Committee on 26 July 1972.

K J

Department of Health and Social Security

24 October 1972
EXPLANATORY MEMORANDUM ON THE SOCIAL SECURITY BILL

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EXPLANATORY MEMORANDUM ON THE SOCIAL SECURITY BILL

CHAPTER I

INTRODUCTION

1. This Memorandum explains the main provisions of the Social Security Bill now before Parliament. The Report by the Government Actuary (Cmd ) deals with the Bill's financial provisions.

2. In September 1971 the Government published their proposals for the future development of State and occupational pensions in the White Paper "Strategy for Pensions" (Cmd 4755). They indicated that they would welcome constructive criticism from any source and that they would be consulting a wide range of organisations representing employers, employees and the occupational pensions movement on the details of the proposals. In framing the more detailed proposals now put forward in this Bill the Government have taken account of the many helpful comments which have been made.

3. The original proposals for the basic scheme have been altered in one important respect. Paragraphs 32 and 33 of "Strategy for Pensions" referred to biennial reviews of basic scheme pensions and related benefits. In December 1971 the Secretary of State for Social Services announced that henceforth such reviews would take place annually and that this improvement would be embodied in due course in the Bill to implement the pension proposals. The Bill contains provisions to fulfil this undertaking.

4. Another important departure from what was proposed in the White Paper concerns the conditions which occupational pension schemes must satisfy if their members are to be treated as in "recognised" pensionable employment and so not liable for contributions under the reserve pension scheme. The Bill enables alternatives to be provided to the standard test which was outlined in paragraphs 57 to 59 of "Strategy for Pensions". These alternatives, without prejudicing the standards on which recognition is to depend, will be particularly suited to the structure of final salary and money-purchase schemes.

5. The main changes the Bill makes in existing arrangements are:­

   (1) wholly earnings-related contributions for employed earners instead of the present hybrid structure of flat-rate and graduated contributions;

   (2) earnings-related contributions for self-employed earners with earnings above a certain level, in addition to their weekly flat-rate contributions;
(3) voluntary contributions for people who would otherwise be unable to qualify for basic pensions and some other benefits;
(4) qualifying tests for basic scheme benefits based on the new contribution system;
(5) statutory annual reviews of basic scheme contributions and benefits;
(6) the winding up of the existing State graduated pension scheme;
(7) recognition of occupational schemes for the purpose of exemption from the reserve pension scheme;
(8) preservation of occupational pension rights on change of employment;
(9) an independent Occupational Pensions Board to administer the new arrangements affecting occupational pension schemes;
(10) a reserve pension scheme managed by an independent Board to provide earnings-related pensions for employees not covered by recognised occupational schemes.

6. The Bill largely replaces the existing national insurance legislation but it re-enacts many provisions of the existing scheme. The Bill includes the changes necessary to adapt short-term benefits to the new system of basic scheme contributions but the Government are considering whether further changes in these benefits are desirable. Only minor changes are made to the industrial injuries legislation. The industrial injuries contribution will become an integral part of the new contribution structure and as a result the Industrial Injuries Fund is being merged with the National Insurance Fund. The benefits payable under the industrial injuries scheme will be unchanged.

7. Appendix A contains tables illustrating, as at October 1972, the contributions which would be payable under the new scheme at various earnings levels compared with those payable under the present scheme. The rates of benefit under the basic scheme, which are set out in Appendix B, are those which took effect in October 1972.
CHAPTER II

BASIC SCHEME

Contributions

8. The basic scheme will be financed, as at present, on a pay-as-you-go basis which means that the contributions payable by the present working population are determined by the current cost of pensions and other benefits. The basic scheme will also receive a Treasury supplement equal to 18 per cent of its contribution income. A small part of the total contributions will consist of contributions towards the cost of the national health service plus employers' contributions to the Redundancy Fund (see paragraph 9).

9. Basic scheme contributions will be of the following four classes, the figures given being related to current earnings levels:

Class 1 Primary contributions will be payable, subject to any prescribed exceptions, by all employees and office-holders other than those earning less than £8 a week. The rate will be 5.25 per cent on all earnings up to £28 a week. Married women and those widows who have a choice under the present scheme will be able to elect to pay at the reduced rate of 0.6 per cent, covering industrial injuries benefits and a contribution to the national health service. An election, or change of election, will relate to complete income tax years. Secondary contributions will be payable by employers and by the appropriate authority in the case of office-holders. The rate will be 7.5 per cent (including a contribution of 0.2 per cent to the Redundancy Fund) over the same range of earnings as primary contributions. Class 1 contributions will be collected through PAYE, thus dispensing with contribution cards for employed earners.

Class 2 These contributions will be payable by self-employed people at a standard rate (£1.68 a week) but at the start of the scheme there will be a lower rate for women. It is intended that this lower rate should correspond to the rate obtaining in the existing scheme at the time when the new scheme begins; it will be brought into line with the new standard rate over a period of five years. (In terms of current earnings levels the lower contribution would be £1.40, the present woman's rate.) Self-employed people with earnings below a specified level (in current terms £468 a year) may apply for exception. Married women and those widows who have a choice under the present scheme will be entitled to choose whether or not to pay Class 2 contributions. Any such election, or change of election, will relate to complete tax years.
Class 3 These contributions will be payable voluntarily by people who would otherwise be unable to qualify for basic scheme pension and certain other benefits, because they have an insufficient record of Class 1 or Class 2 contributions. The standard rate of contributions will be £1.33. Married women and widows who have elected not to pay Class 1 (full rate) or Class 2 contributions will not be eligible to pay Class 3 contributions.

Class 4 These contributions will be payable on profits or gains from a trade, business or vocation assessable to tax under Case I or Case II of Schedule D. Contributions will be at the rate of 5 per cent of such profits or gains between £1450 and £2500, and will be payable with any Schedule D tax due. These contributions are intended to ensure that the self-employed make a fair contribution to the basic scheme compared with the employed.

10. Generally speaking, Class 1 contributions will be paid by Schedule E taxpayers and Class 2 and 4 contributions by those assessable to tax under Schedule D, but there are powers in the Bill to alter the class of contribution payable by particular groups. Examples of contributions payable under the Bill by employed and self-employed earners are given in Appendix A. Where someone is concurrently engaged in more than one employment, or is both employed and self-employed, his total liability will be limited and any contributions paid in excess of a prescribed annual limit will be refunded.

11. From the start of the new scheme everyone will have the same contribution year which will be the tax year. This will lead to a common benefit year for short-term benefits, such as sickness and unemployment benefit, beginning in the January following the end of the relevant tax year.

Benefits

12. The Bill provides for benefits similar to those under the present legislation. Title to particular benefits will continue to depend on particular classes of contribution; the classes relevant to each particular benefit are set out in Clause 10 of the Bill.
Contribution conditions for benefit

13. The change to a fully earnings-related system of contributions for employed earners means that it will no longer be possible to base the contribution conditions for benefit on the number of weekly contributions paid in a contribution year or throughout a working life. The Bill establishes a new system of contribution conditions related to yearly levels of earnings on which contributions have been paid. Under the new arrangements the various contribution conditions are expressed as multiples of the level of earnings - £8 a week in current terms - at which the employed earner will be liable to pay contributions. In general, the minimum annual level of earnings required for entitlement to the standard flat-rate benefits will be 50 times this lower earnings limit ie £400 in current terms.

14. For this purpose the amount of contributions paid by an employed earner in a tax year will be converted to an "earnings factor" corresponding to the amount of earnings on which he has paid contributions. For the great majority of employed earners whose weekly earnings lie between the lower and upper earnings limits of the scheme this earnings factor will correspond with their actual earnings. But for those who have earnings outside these limits the use of the earnings factor will secure that only earnings on which contributions have been paid will count for benefits. Flat-rate Class 2 contributions paid by self-employed earners and voluntary Class 3 contributions will be given an earnings value corresponding to the lower earnings limit. This will make it possible to express a mixed record of contributions in terms of a single earnings factor where the benefit concerned is covered by more than one class of contribution.

15. As in the present scheme there are two contribution conditions for each of the main benefits - a first test of contributions actually paid in any one tax year and a second test of contributions paid or credited in a particular year or number of years. Appendix C shows in summary form the proposed contribution conditions for different benefits.
Unemployment and Sickness Benefits

16. The provisions in the Bill for unemployment and sickness benefits retain the present structure of these benefits but changes have been made to adapt it to the new system of earnings-related contributions. Both unemployment and sickness benefits will as now consist of two parts, a flat-rate element and an earnings-related supplement. The flat-rate element will be subject to two contribution tests (see Appendix C) and the earnings-related supplement will be governed by the claimant's recent earnings; broadly those on which Class 1 contributions were paid in the relevant tax year.

Invalidity Benefit

17. An invalidity pension will be payable after a person has been entitled to sickness benefit for 28 weeks in a period of interruption of employment (that is in a period in which spells of incapacity or unemployment are not separated by more than 13 weeks). There will be no further contribution condition to be satisfied, ie there will be no equivalent of the present condition which requires the payment of 156 contributions. There will continue to be an invalidity allowance for persons who were more than five years below the minimum age for retirement pension when they fell sick, and the allowance will continue to be payable after pensionable age, with retirement pension.

Attendance Allowance

18. The higher rate of attendance allowance, for those people so severely disabled that they require frequent attention or constant supervision throughout the day and night, has been in payment since December 1971. The National Insurance Act 1972 introduced a lower rate for those who require such attention during either the day or night. The Bill makes no changes in these conditions and as at present there will be no contribution conditions.

Maternity Benefit

Maternity Grant

19. A lump sum maternity grant will be payable on the contribution record of the claimant or her husband on the same basis as at present, subject to the satisfaction of the contribution tests described in Appendix C.

Maternity Allowance

20. The Bill provides for a maternity allowance to be payable on the basis of a woman's own contributions as at present but the contribution conditions will be based on tax years as for sickness benefit. In future maternity allowance will also attract earnings-related supplement directly instead of
entitlement to the supplement being derived from an underlying title to sickness benefit as at present. The remaining rules for payment of the allowance will be unchanged.

Widow's Benefit

21. The benefits for widows provided under the Bill are basically the same as now. The widow's allowance (which is payable during the first six months of widowhood) will however be subject to only one contribution test (see Appendix C); there will be no equivalent of the present second condition, which relates the rate of the allowance to the yearly average of contributions, and thus there will be no reduced rates of the allowance. The widow's supplementary allowance, which is governed by the amount of the late husband's recent earnings (broadly those on which Class 1 contributions were paid in the relevant tax year) will be re-named "widow's earnings-related addition" to avoid confusion with supplementary allowances paid under the Ministry of Social Security Act 1966, but will otherwise remain unchanged. Similarly, widowed mother's allowance and widow's pension will be unchanged except that the contribution conditions, which will continue to be basically the same as those for retirement pension (see paragraph 24), will be adapted to the new contribution structure in the same way as the conditions for that pension.

Guardian's Allowance

22. A guardian's allowance will be paid in circumstances similar to those in which it is paid at present. There will be no contribution conditions but regulations may prescribe other conditions eg as to residence or nationality.

Retirement Pensions

23. The Bill puts retirement pensions into four categories, A, B, C and D which, as shown below, are equivalent to those in the present scheme. The contribution conditions for category A and B pensions are set out in Appendix C. There are no contributions conditions for category C or D pensions.

Category A pension

24. This is the pension payable on a person's own contributions on retirement from regular employment at or after the pensionable age of 65 (60 for a woman) or at the age of 70 (65 for a woman) whether or not he had then retired. If retirement is deferred during this period of five years the rate of pension, when it is finally awarded, will be increased by one-eighth of one per cent for each week of deferment except those certain other benefits from public funds are drawn. A married woman's title to a category A pension will depend, as now,
additional
upon the satisfaction of an / test - that she has reached the required
minimum level of contributions in at least half the tax years of her married
life. This test will not apply to women who marry on or after their 55th
birthday.

Category B pension
25. This is the pension payable to a woman on her husband's contributions once
he has qualified for his own category A pension and she has reached pensionable
age and retired or has reached 65. It is also payable on widowhood after
60 whether or not the late husband had retired and qualified for his own pension.
Where a husband defers his retirement, his wife's category B pension will be
increased for each week of deferment after she is 60 by half the weekly
increase which he earns for his own pension. The addition payable to her will,
as now, be increased in the event of his death.

Category C pension
26. This is the pension (introduced in November 1970) which is payable to a
person who was over pensionable age on 5 July 1948 (when the present scheme
started), and to a woman whose husband is so entitled, provided she is over
pensionable age and has retired from regular employment. The Bill includes
the present power for regulations to provide pensions for the widows of men
who were over pensionable age on 5 July 1948.

Category D pension
27. This is the pension (introduced in September 1971) payable to persons
over 80 who are not entitled to any other category of pension, or who are
entitled to some other category of pension but at a rate which is less than
that of a category D pension.

Age addition
28. Anyone who is over 80 and is entitled to any of the four categories of
pension will also be entitled to an age addition.

Child's Special Allowance
29. A child's special allowance will, as now, be paid for the child or
children of a divorced woman whose former husband dies while maintaining them,
while liable to maintain them.

There will be only one contribution
condition (see Appendix C); there will be no equivalent of the present
condition which requires a yearly average of 50 contributions.
Death Grant

30. There will be only one contribution condition (see Appendix C) in place of the present two, and thus there will be no need for reduced rates of the grant. There will however still be a lower rate in respect of people who were already within ten years of reaching pensionable age on 5 July 1948, and lower rates for those under 18.

Benefits for dependants

31. As at present, benefits will be increased where a beneficiary has a wife or other adult dependant or children either living with him or maintained by him.

Reviews of contributions and benefits

Annual Reviews

32. In accordance with the Government's policy that the rates of retirement pensions and related benefits will be reviewed annually, the Bill places certain obligations upon the Secretary of State in relation to both contributions and benefits.

Contributions

33. Each year there will be a review of the contribution provisions of the Bill by reference to general levels of earnings prevailing at the time and to any other matters that appear relevant. As a consequence of the review, certain contribution levels and rates (the lower and upper earnings limits for Class 1 contributions, the rates of Class 2 and Class 3 contributions, the amount of earnings below which exception may be sought from Class 2 contributions and the earnings limits for Class 4 contributions) may be amended by Order from the beginning of the following tax year. If no amendments are to be made the Secretary of State will be required to submit to Parliament a report containing an explanation of why this is so.

Benefits

34. A review of benefit rates will be carried out each year. If the review shows that an increase is needed to maintain their value of the benefits the Secretary of State will, subject to Parliamentary approval, make an Order to this effect. Alternatively, an Order may increase benefits by more than is necessary to maintain their
purchasing power if he considers this appropriate having regard to changes in the general level of earnings, the standard of living and the national economic situation. Any increase in benefit rates will take effect in the latter half of November. If no increase is to be made, the Secretary of State will be required to submit to Parliament a report containing an explanation of why this is so. The benefits to be covered by an Order are the flat rates of unemployment and sickness benefits and maternity and widow's allowances, invalidity benefit, attendance allowance, widowed mother's allowance and widow's pension, guardian's allowance, retirement pension (including increments for deferred retirement), age addition, and increases in respect of child and adult dependants. Increases in maternity and death grants may be provided for in the Order. The Bill makes provision also for increases in benefits of the industrial injuries scheme under the Order.

Other contribution reviews
35. Quite apart from the annual reviews, the Secretary of State may at any time amend by Order the percentages of Class 1 and Class 4 contributions (but only within defined limits), and the rates of Class 2 and 3 contributions with a view to adjusting the income of the National Insurance Fund to enable it to meet future expenditure. Such an Order may also amend the amount of earnings below which exception may be obtained from liability for Class 2 contributions.

Credits
36. The Bill contains power for regulations to provide for contributions to be credited to a contributor's record so as to safeguard future entitlement to benefit eg where people have been sick or unemployed. Credits will also be used to assist new entrants into employment and certain other special groups.

National Insurance Advisory Committee
37. The National Insurance Advisory Committee will continue under the new scheme, but with an increased membership of between 6 and 10 in addition to the Chairman. Appointment to the Committee will be for a variable term of from three to five years. (At present the appointment is normally for a fixed term of five years). Proposals for regulations will, with certain exceptions, be submitted to the Committee and the Secretary of State will be required to make a statement on the Committee's recommendations to Parliament.

Adjudication
38. The existing legislation concerning the determination of claims and questions is contained in Part IV of the National Insurance Act 1965, as
amended. This Part of the 1965 Act is not to be repealed because it is self-contained and requires only minor changes to adapt it to the new arrangements. Any question relating to the amount of profit for the purpose of Class 4 contributions will be determined under the income tax appeal procedures.

Finance

39. There will be one Fund for the national insurance and industrial injuries schemes, instead of three as at present: the Industrial Injuries Fund and the National Insurance (Reserve) Fund will be merged with the National Insurance Fund. The contributions to the National Insurance Fund are described in paragraphs 8-11. As mentioned there, the Fund will receive a Treasury supplement equal to 18 per cent of its income from contributions.

40. Estimates of the income and outgo of the Fund as the scheme develops are given in the Report by the Government Actuary (Cmd  ) on the Financial Provisions of the Bill, published concurrently with this Memorandum.

Transitional arrangements and Appointed Day(s)

41. The Bill makes provision for the transition from the existing scheme to the new one. The arrangements will cover such matters as treating old-style flat-rate contributions as new-style earnings-related contributions and vice versa, and modified contribution tests for short-term benefits for the period immediately following the start of the new scheme.

42. The graduated pension scheme, and the arrangements under which persons are contracted out of it, will be wound up. Further graduated pension will not be earned for periods after the new scheme has begun but existing rights will be preserved.

43. The new scheme will start on a day, or days, appointed by the Secretary of State; different days may be appointed for different provisions of the Bill. The target date for bringing the main structural changes into operation is April 1975.
CHAPTER III

OCCUPATIONAL SCHEMES

Occupational Pensions Board

44. The Secretary of State will appoint an independent Occupational Pensions Board, consisting of a Chairman, Deputy Chairman, and 8 to 12 other members; one member will be appointed after consultation with organisations representative of employers, and one after consultation with organisations representative of employees. The Board will have the following functions:

1) to decide whether occupational pension arrangements meet the requirements for recognition so as to exempt those concerned from contributing to the reserve pension scheme;

2) to supervise the arrangements for preserving the pension rights of early leavers;

3) to assist occupational pension schemes to change their rules, if they need help in doing this, to adapt to the new situation resulting from the Bill;

4) to advise the Secretary of State on matters relating to occupational pension schemes.

45. The Board will have power to review their decisions on application, or on their own initiative; and there will be a right of appeal on questions of law to the High Court (in Scotland, the Court of Session). To the extent provided by regulations, the Board will be able to require people to give evidence or produce documents relevant to the discharge of the Board's functions. They will have available to them staff provided by the Secretary of State and, as necessary, will be able to call on expert advice.
Recognition of pensionable employment

46. Employments covered by occupational schemes which satisfy the conditions outlined in the following paragraphs may be "recognised" so that the employees and employers concerned will be relieved of liability to contribute to the reserve pension scheme. The minimum benefits required for recognition are referred to in the Bill as "minimum personal pension" and "minimum death benefit".

Conditions as to financial soundness

47. If a scheme is to qualify for recognition, the Occupational Pensions Board must be satisfied as to the scheme's financial arrangements on two counts: first, that its resources (that is, its funds from contributions and investment income, or its insurance backing) will be sufficient to cover the scheme's future liabilities for the minimum benefits required for recognition; and secondly that in the event of discontinuance the scheme's rules accord priority to, and its resources will be sufficient to meet its liabilities for, pensions in payment, accrued minimum benefits (including certain credits by transfer) and "equivalent pension benefits" provided under the present contracting-out arrangements. In the absence of such a priority rule the Board will have to be satisfied that the resources would be sufficient to meet all the scheme's liabilities on discontinuance. Public service schemes will not need to satisfy these tests since they are backed by public funds.

48. Where in the opinion of the Board a funding deficiency exists, the Board may make it a condition of continuing recognition that the deficiency is made good over such period as they direct. The Board will continue to exercise surveillance over a scheme's financial arrangements during the currency of a recognition certificate. If recognition is withdrawn this surveillance will continue so long as employees remain entitled to minimum benefits under the scheme. Where a scheme has ceased to be recognised the Board will have power where necessary to enforce or amend the scheme's rules, to direct the employer to make good any deficiency and, as a last resort, may order the scheme to be wound up.

Minimum personal pension

49. To qualify for recognition, a scheme must provide a minimum level of personal retirement pension. The standard test for this laid down in the Bill
requires an annual pension to be provided representing at least 1 per cent (0.7 per cent for women) of a person's reckonable earnings (that is earnings on which Class 1 contributions under the basic scheme are payable) throughout the whole period of recognised pensionable employment, where the scheme provides for periodic increases in pensions after pensionable age (see paragraph 53). Where provision is not made for increasing pensions in payment the minimum personal pension under the standard test must be at least 1.25 per cent (0.9 per cent for women) of reckonable earnings.

50. In addition there will be power to make regulations prescribing alternatives to the standard test in the case of certain types of scheme - those commonly known as "money purchase" schemes and "final salary" schemes, and also those which provide benefits on death after retirement by compulsory allocation from the husband's retirement pension.

51. In the case of money purchase schemes, the Bill requires an overall contribution of at least 5 per cent of a person's reckonable earnings, with the employer paying at least 2.5 per cent. Apart from that the details of the various alternative tests will be contained in regulations. Some of the details have still to be settled after further consultations but the intention is to provide tests comparable to the standard test, but more suited to the structure of the scheme in question.

52. Thus it is likely that a money purchase scheme will have to set out in a table the benefits guaranteed in return for a specified level of contributions at each age, in much the same way as the reserve pension scheme will. The intention is that these benefits should be not less than the guaranteed benefits set out in the Bill for the reserve pension scheme. Final salary schemes calculate pensions as a given percentage of final salary for each year of service. The alternative test for such schemes will lay down what the minimum percentage or percentages should be. More than one percentage may be prescribed, so as to provide not only a suitable level for those schemes which undertake to increase deferred pensions up to the date of payment, but also a higher level in respect of each of the first few years of service for those schemes which do not give pre-award increases and would otherwise not
adequately protect employees with short service.

53. Recognised schemes which increase pensions in payment may do so by giving increases which are in line with movements in the cost of living; or which amount to at least 3 per cent per annum compound; or which, although not at that pre-determined rate, are to be given on a basis which the Occupational Pensions Board regards as providing comparable protection against loss of purchasing power.

54. The minimum personal pension must be payable from not later than the pensionable age of the basic scheme (65 for men, 60 for women) unless retirement from the relevant employment is deferred beyond that date. If retirement is deferred, the minimum pension in schemes providing for post-retirement increases will have to take account, when it is finally put into payment, of any increases that would have been given had it been payable from pensionable age.

Minimum death benefit

55. The minimum death benefit required for recognition will generally be payable to the man's widow, though schemes will be permitted to pay the benefit at the discretion of the trustees to a dependant or dependants other than the widow. Benefit will not be required, however, where the man dies leaving no widow, nor where he marries after his period of recognised pensionable employment has ended or after pensionable age. Schemes may also, if they wish, exclude from minimum death benefit cover members who will on the appointed day be within 5 years of the scheme's pensionable age.

56. Where a man dies after reaching pensionable age the minimum death benefit must be paid in the form of a pension, generally of at least half the man's minimum personal pension. Where he dies before pensionable age schemes will alternatively be permitted to provide death benefit in the form of a lump sum; this will have to be either approximately equivalent in value to the death benefit in pension form that would otherwise have been payable (ie 14 or 11 times the annual rate of that pension depending on whether or not it would have been increased once in payment) or not less than 1½ times the annual rate of the man's reckonable earnings over a prescribed period before his death. Regulations may prescribe further methods of calculating death benefit for those schemes using one of the alternative tests for personal pension referred
to in paragraph 50. Some reduction in the level of minimum death benefit will be permitted where the man was more than a specified number of years older than his wife or other dependant.

**Preservation and transfer of minimum benefits**

57. Where an employee leaves a recognised pensionable employment after less than five years service a reserve scheme premium, equal to the total reserve scheme contributions which would have been payable had the employment not been recognised, must be paid to the reserve pension scheme unless minimum benefits are paid or preserved or a transfer is made to another scheme covered by a recognition certificate. Where a period of service in a recognised scheme exceeds five years, the minimum personal pension will have to be paid or preserved. Any contingent minimum death benefit will also have to be preserved in these circumstances and paid on death either before or after retirement.

The methods of preserving minimum benefits will be controlled through regulations. Employees will be able to choose to accept a transfer payment instead of minimum benefits, but only if it is to another recognised scheme or to another (eg overseas) scheme which although not recognised satisfies prescribed conditions. Although no conditions will be laid down as to the value of the benefit rights to be awarded by the second scheme in return for the transfer payment, they will have to be funded as though they were minimum benefits, and, as under the general preservation requirements, the two employments will be aggregated in determining whether, on any subsequent termination, both the benefit rights awarded in return for a transfer payment and minimum benefit accrued during the second employment must be preserved. Regulations may also provide that the benefit rights awarded on transfer from one recognised scheme to another must, where appropriate, include some death benefit, as well as some personal benefit in pension form.

**Friendly Societies**

58. Provision will be made to enable friendly societies specially approved for this purpose by the Chief Registrar of Friendly Societies to run occupational schemes used for recognition purposes.

**Notification to employees**

59. Power is taken to require employers to notify their employees of their decision either to seek recognition or to rely on the reserve pension scheme.
Preservation of occupational pensions

60. The Bill lays down "preservation requirements" to protect the benefits of members who leave their employment before normal pension age; to qualify for this protection the member must have attained the age of 26 and have completed 5 years' pensionable service. The usual form of protection will be entitlement to a deferred pension, or a deferred annuity under the scheme's ordinary arrangements for paying pensions. Alternatively schemes will be able (if the member agrees) to make a transfer payment to another scheme or to make some other arrangement which broadly has the effect of maintaining pension cover. Pensionable service both before and after the appointed day will count towards entitlement to a deferred pension, but employees in contributory schemes may be offered a refund of their own contributions instead of a deferred pension in respect of their service before the appointed day, and in respect of any service after the appointed day lasting less than 5 years; in other cases, a contribution refund will not be permitted as an alternative to a deferred pension.

61. It will be for the Occupational Pensions Board to decide whether the rules of a particular scheme conform to the requirements outlined in the Bill, and scheme administrators, employers and members will be able to apply to the Board for this purpose. The Board will also be able to make such a decision on their own initiative when, for example, a scheme is brought to their notice on an application for recognition. If a scheme does not conform the Board will be able, as a last resort, directly to modify the scheme.

62. The benefits to be preserved will be those to which a member would have an enforceable right under the rules of his scheme if he stayed till normal pension age - they will include personal benefits and benefits payable on death after retirement. Schemes which confer no enforceable right to benefits will be outside the scope of the legislation. In the case of the armed forces schemes (where this exclusion applies) the Government will ensure that the rules follow the principles of the legislation, although in view of their unique conditions of employment the armed forces will need to retain powers to abate or suspend or apply forfeiture to pensions in appropriate cases. Schemes within the scope of the legislation will be permitted to provide for forfeiture only in strictly limited circumstances.

63. The deferred benefits to be provided will be a proportion of the benefits the member would have received had he stayed in the employment until normal pension age, and must come into payment at that age (or from the age of 60, if later). In most cases the amount will be calculated by
applying the scheme's own rules relating to full-term benefits, but in some schemes (e.g., where a fixed benefit unrelated to length of service or to contributions is provided, or, where the scheme provides for a higher rate of accrual for older or longer serving members) it will be calculated on the basis of "uniform accrual", i.e., by comparing the length of the member's actual pensionable service with his total potential pensionable service up to normal pension age, on the assumption that his benefits would have accrued at a uniform rate over the whole of that service. Account will be taken of any pension credits the member has obtained, e.g., in respect of a transfer payment from another scheme, and also of any provisions in the occupational scheme giving legal entitlement to periodic increases in benefits (whether before or after pension age).

Modification of occupational pension schemes

64. Many occupational pension schemes will have to modify their provisions, or will wish to do so, in the light of the provisions of the Bill, especially those relating to recognised pensionable employment and the preservation of pension rights. Most schemes will be able to make the necessary modifications under their own alteration procedures, but some may find that the necessary powers are lacking or that the modification process would involve some procedural difficulty making it unduly protracted. In such cases the Occupational Pensions Board will be able, on application and subject to certain conditions and safeguards, to authorise the modification of a scheme (or themselves to modify it). The Board will be able to perform a similar modification function to enable schemes to obtain approval for tax purposes from the Inland Revenue under the Finance Act 1970; to make or accept transfer payments; to "buy out" preserved pensions by means of an insurance policy; or to take general account of the Bill and related legislation.

Truck Acts, Shop Clubs Act and the rule against perpetuities

65. The Government are concerned that the operation of recognised occupational pension schemes should not be impeded by the effect of the Truck Acts (and similar legislation) or by the rule of law relating to perpetuities. A study of the implications is being made so that, during the passage of the Bill, an amendment can be moved to ensure that nothing in the Truck Acts would prevent or make invalid the deduction of a person's contributions to a recognised scheme from his remuneration; and that such a scheme will not constitute a shop club or thrift fund which is subject to the Shop Clubs Act. It is intended also that the trusts establishing recognised schemes should be protected against the rule of law relating to perpetuities.
CHAPTER IV

RESERVE PENSION SCHEME

General outline

66. The reserve pension scheme will provide pensions for those employees not in recognised pensionable employment. It will be entirely separate from the basic scheme and run by an independent Board on the lines of an occupational pension scheme. There will be no Government subsidy. Benefits will be assessed by reference to the contributions paid, on a 'value for money' basis, so that each contributor receives a fair return however short or long the period for which he and his employer have contributed. The self-employed will not be included in the scheme.

Contributions

67. Reserve scheme contributions will be earnings-related and set at 4 per cent of the same range of earnings as will apply for the basic scheme; the employee will pay 1.5 per cent and the employer 2.5 per cent. The employee's own contribution has been fixed at less than half the total contribution to take account of the absence of tax relief on his share. Contributions will be payable for any period when an employed earner is not in recognised pensionable employment after the end of the tax year in which he reaches age 21 and before the beginning of the tax year in which he reaches age 65 (60 in the case of a woman). There will be no provision for married women and widows to opt out of the scheme; they will pay contributions and earn benefits on the same basis as other members of the scheme. The Secretary of State will be responsible for assessment and collection of reserve scheme contributions (and reserve scheme premiums, see paragraph 57) which, like basis scheme contributions, will be collected through PAYE. Examples of reserve scheme contributions are given in Appendix D.

Benefits

68. The reserve pension scheme will provide personal and widows' pensions. The widow's pension will be at half the rate of the late husband's pension or, if he dies before pension age, half the rate of the prospective pension secured by the contributions paid up to the time of his death. There will be no retirement condition or earnings rule, and personal pensions will be paid at 65 for a man and 60 for a woman.
69. Reserve pensions will consist of two elements, a guaranteed rate and a profit-sharing element which will take the form of bonus additions. The guaranteed rates, which are set out in detail in Schedule 18 to the Bill, have regard to the amount of contributions paid, the sex of the contributor and the age at the time the contributions are paid. They have been calculated on conservative assumptions as to the return which will be obtained from the investment of the contributions. Women's pension rates are lower than men's because women will receive their pensions earlier and on average live longer. Younger contributors receive a higher return because contributions paid early in life earn interest for a longer period. Examples of reserve pensions are given in Appendix E.

70. Bonus additions to the guaranteed rates of pension will depend on the investment performance of the Reserve Pension Fund. It is to be expected that profits will be revealed at the regular actuarial valuations of the scheme. The Reserve Pension Board, on each occasion they receive a report from the Government Actuary, will be under a duty to consider and decide whether a bonus should be declared. Bonuses will be expressed as a percentage increase of pensions (including widows' pensions) in payment, and, for contributors under pension age, as a percentage increase of prospective pension. Normally, bonuses resulting from an actuarial review will be declared at three-yearly intervals, but the Board will also be able, without having an actuarial report, to declare interim bonuses which will be applied to pensions in payment and to pensions becoming payable before the next actuarial review. Interim bonuses will be incorporated in the next bonus declaration related to an actuarial review.

71. Reserve pensions will normally be payable for life (but widow's pension will cease on re-marriage). Regulations will provide for small amounts of pension to be commuted.

Reserve Pension Fund

72. The reserve pension scheme will be fully funded and financed solely from the contributions paid by employed earners and their employers and the income from its investments. The Reserve Pension Fund will not be available for Government use and will be entirely separate from the National Insurance Fund. The Fund will bear the full cost of reserve pensions and administration, including all expenses of the Reserve Pension Board in carrying out their functions.
Reserve Pension Board

73. Responsibility for running the reserve pension scheme will be placed in the hands of an independent Board which will be under a statutory duty to operate the scheme and conduct its investments so as to secure the best pensions for its members. The Board will to that end have complete freedom of investment - including holdings in equities and property - subject only to the safeguard that its holdings in any public company must be limited to less than 10% of the unrestricted voting capital of that company. The Board will also have the function of advising the Secretary of State on any matter relating to the reserve pension scheme that he may refer to them.

74. The Board will consist of a Chairman, a Deputy Chairman and 6 to 12 other members. All members of the Board, including the Chairman and Deputy Chairman, will be appointed by the Secretary of State who will be under a duty to satisfy himself, before making any appointment, that the person concerned has no financial or other interest likely to affect prejudicially the performance of his functions as a member. The Secretary of State will be required to appoint one member after consulting organisations representative of employers and one member after consulting organisations representative of employees.

General provisions

75. Questions as to entitlement to a reserve pension will be for decision by the Reserve Pension Board with a right of appeal to the High Court (the Court of Session in Scotland) on any question of law. The Board will be able to review their own decisions. Reserve scheme contribution questions and questions common to both the reserve and the basic schemes (e.g., a person's age) will be for decision by the basic scheme adjudicating authorities with similar rights of appeal and review.

Accounts and reports

76. The Government Actuary will be required at three-yearly intervals, or on a request from the Board, to make an actuarial valuation of the assets and liabilities of the Fund and to report to the Board on the operation of the scheme and the financial condition of the Fund.

77. The Board will be required to prepare an annual statement of accounts which will be subject to audit by commercial auditors appointed by the Secretary of State.

78. The Board will also be required to make an annual report, which will include a statement relating to their investment holdings, to the Secretary of State as
soon as practicable after the end of the accounting year. This report is to be accompanied by copies of the statement of accounts for that year, the auditors' report and a report of any review made by the Government Actuary not already submitted to the Secretary of State in connection with bonus declarations.

79. The Secretary of State will be required to lay before Parliament copies of the Board's report, the statement of accounts, the auditors' report, the Government Actuary's report and particulars of any decision by the Board relating to a declaration or non-declaration of bonus.
The tables illustrate, as at October 1972, the contributions which would be payable under the new scheme at various earnings levels by comparison with those payable under the present scheme. These comparisons do not, however, indicate the amount of the differences that will actually occur at the start of the new scheme since these will be affected by changes in the levels of contributions needed to finance increases in benefit rates between October 1972 and April 1975.

**EMPLOYED EARNERS**

**Table 1**

<table>
<thead>
<tr>
<th>Weekly earnings £</th>
<th>Present scheme</th>
<th>New basic scheme</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contribution £</td>
<td>% of earnings</td>
<td>Contribution £</td>
</tr>
<tr>
<td><strong>Men</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>1.01</td>
<td>10.10</td>
<td>0.52</td>
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<tr>
<td>20</td>
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<td>1.05</td>
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<tr>
<td>40</td>
<td>2.11</td>
<td>5.27</td>
<td>2.10</td>
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<tr>
<td>48</td>
<td>2.47</td>
<td>5.15</td>
<td>2.52</td>
</tr>
<tr>
<td><strong>Women</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>0.84</td>
<td>8.40</td>
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<td>0.99</td>
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<td>48</td>
<td>2.30</td>
<td>4.79</td>
<td>2.52</td>
</tr>
<tr>
<td>Weekly earnings £</td>
<td>Present scheme</td>
<td>New basic scheme</td>
<td>Comparison</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------</td>
<td>-----------------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>Contribution</td>
<td>% of earnings</td>
<td>Contribution</td>
</tr>
<tr>
<td><strong>Men</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>0.94</td>
<td>9.40</td>
<td>0.52</td>
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<td>7.15</td>
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<td>1.90</td>
<td>6.33</td>
<td>1.57</td>
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<tr>
<td>48</td>
<td>2.73</td>
<td>5.69</td>
<td>2.52</td>
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<td><strong>Women</strong></td>
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<td>0.81</td>
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<td>2.25</td>
<td>5.62</td>
<td>2.10</td>
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<tr>
<td>48</td>
<td>2.60</td>
<td>5.42</td>
<td>2.52</td>
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</table>

Table 2
Not contracted out at present; exempt from reserve pension scheme.
Table 3

Not contracted out at present; member of reserve pension scheme

<table>
<thead>
<tr>
<th>Weekly earnings £</th>
<th>Present scheme</th>
<th>New basic &amp; reserve schemes</th>
<th>Comparison</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Contribution £</td>
<td>% of earnings</td>
<td>Contribution £</td>
</tr>
<tr>
<td><strong>Man</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.94</td>
<td>9.40</td>
<td>0.67</td>
</tr>
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<td>1.43</td>
<td>7.15</td>
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<td>1.90</td>
<td>6.33</td>
<td>2.02</td>
</tr>
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<td>2.38</td>
<td>5.95</td>
<td>2.70</td>
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<tr>
<td>48</td>
<td>2.73</td>
<td>5.69</td>
<td>3.24</td>
</tr>
<tr>
<td><strong>Woman</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>0.81</td>
<td>8.10</td>
<td>0.67</td>
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<tr>
<td>48</td>
<td>2.60</td>
<td>5.42</td>
<td>3.24</td>
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### Table 4

<table>
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<th>Weekly earnings £</th>
<th>Present scheme</th>
<th>New basic scheme</th>
<th>Comparison</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Contribution</td>
<td>% of earnings</td>
<td>Contribution</td>
</tr>
<tr>
<td></td>
<td>£</td>
<td></td>
<td>Class II £</td>
</tr>
<tr>
<td>Nom</td>
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<td>10</td>
<td>1.68</td>
<td>16.80</td>
<td>1.68</td>
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<td>20</td>
<td>1.68</td>
<td>8.40</td>
<td>1.68</td>
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<td>5.60</td>
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<td>1.68</td>
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<tr>
<td>48</td>
<td>1.68</td>
<td>3.50</td>
<td>1.68</td>
</tr>
<tr>
<td>Pension</td>
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<tr>
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<td>14.00</td>
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<tr>
<td>48</td>
<td>1.40</td>
<td>2.92</td>
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</table>

*Expressed in weekly terms

*/See paragraph 9"
### Basic Scheme Benefits

#### Weekly Rates of Periodical Benefits

<table>
<thead>
<tr>
<th>Description of benefit</th>
<th>Weekly rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Unemployment or sickness benefit</strong></td>
<td></td>
</tr>
<tr>
<td>(a) higher rate</td>
<td>£6.75</td>
</tr>
<tr>
<td>(b) lower rate</td>
<td>£4.75</td>
</tr>
<tr>
<td><strong>2. Invalidity pension</strong></td>
<td>£6.75</td>
</tr>
<tr>
<td><strong>3. Invalidity allowance</strong></td>
<td></td>
</tr>
<tr>
<td>(a) higher rate</td>
<td>£1.15</td>
</tr>
<tr>
<td>(b) middle rate</td>
<td>£0.70</td>
</tr>
<tr>
<td>(c) lower rate</td>
<td>£0.35</td>
</tr>
<tr>
<td><strong>4. Attendance allowance</strong></td>
<td></td>
</tr>
<tr>
<td>(a) higher rate</td>
<td>£5.40</td>
</tr>
<tr>
<td>(b) lower rate</td>
<td>£3.60</td>
</tr>
<tr>
<td><strong>5. Maternity allowance</strong></td>
<td>£6.75</td>
</tr>
<tr>
<td><strong>6. Widow’s allowance</strong></td>
<td>£9.45</td>
</tr>
<tr>
<td><strong>7. Widowed mother’s allowance</strong></td>
<td>£6.75</td>
</tr>
<tr>
<td><strong>8. Widow’s pension</strong></td>
<td>£6.75</td>
</tr>
<tr>
<td><strong>9. Guardian’s allowance</strong></td>
<td>£3.30</td>
</tr>
<tr>
<td><strong>10. Category A retirement pension</strong></td>
<td>£6.75 (plus age addition, where appropriate, of £0.25).</td>
</tr>
<tr>
<td><strong>11. Category B retirement pension</strong></td>
<td></td>
</tr>
<tr>
<td>(a) lower rate</td>
<td>£4.15</td>
</tr>
<tr>
<td>(b) higher rate</td>
<td>£6.75</td>
</tr>
<tr>
<td><strong>12. Category C or Category D retirement pension</strong></td>
<td></td>
</tr>
<tr>
<td>(a) lower rate</td>
<td>£2.50</td>
</tr>
<tr>
<td>(b) higher rate</td>
<td>£4.05</td>
</tr>
<tr>
<td><strong>13. Child’s special allowance</strong></td>
<td>£3.30</td>
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### AMOUNT OF GRANTS

<table>
<thead>
<tr>
<th>Description of Grant</th>
<th>Amount</th>
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<tbody>
<tr>
<td>1. Maternity grant</td>
<td>£25.00</td>
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<tr>
<td>2. Death grant, where the person in respect of whose death the grant is paid was at his death:—</td>
<td></td>
</tr>
<tr>
<td>(a) under the age of 3</td>
<td>£9.00</td>
</tr>
<tr>
<td>(b) between the ages of 3 and 6</td>
<td>£15.00</td>
</tr>
<tr>
<td>(c) between the ages of 6 and 18</td>
<td>£22.50</td>
</tr>
<tr>
<td>(d) over the age of 18</td>
<td></td>
</tr>
<tr>
<td>(i) if on 5th July 1948 that person had attained the age of 55 in the case of a man or 50 in the case of a woman</td>
<td>£15.00</td>
</tr>
<tr>
<td>(ii) in any other case</td>
<td>£30.00</td>
</tr>
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### WEEKLY RATES OF INCREASES FOR DEPENDANTS

<table>
<thead>
<tr>
<th>Benefit to which increase applies</th>
<th>Increase for only, elder or eldest qualifying child</th>
<th>Increase for second qualifying child</th>
<th>Increase for each additional qualifying child</th>
<th>Increase for adult dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>1. Unemployment or sickness benefit</td>
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<td>1.20</td>
<td>1.10</td>
<td>4.15</td>
</tr>
<tr>
<td>2. Invalidity pension</td>
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<td>2.40</td>
<td>2.30</td>
<td>4.15</td>
</tr>
<tr>
<td>3. Maternity allowance</td>
<td>2.10</td>
<td>1.20</td>
<td>1.10</td>
<td>4.15</td>
</tr>
<tr>
<td>4. Widow's allowance</td>
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<td>2.40</td>
<td>2.30</td>
<td>—</td>
</tr>
<tr>
<td>5. Widowed mother's allowance</td>
<td>3.30</td>
<td>2.40</td>
<td>2.30</td>
<td>—</td>
</tr>
<tr>
<td>6. Category A or B retirement pension</td>
<td>3.30</td>
<td>2.40</td>
<td>2.30</td>
<td>4.15</td>
</tr>
<tr>
<td>7. Category C retirement pension</td>
<td>3.30</td>
<td>2.40</td>
<td>2.30</td>
<td>2.50</td>
</tr>
<tr>
<td>8. Child's special allowance</td>
<td>--</td>
<td>2.40</td>
<td>2.30</td>
<td>—</td>
</tr>
</tbody>
</table>

* Special provisions apply in relation to increases for adult dependants where the claimant is over pensionable age and not retired from regular employment.*
There are two contribution conditions for most of the benefits of the basic scheme. The first is a test of contributions actually paid in any one tax year since age 16, and unless this test is satisfied no benefit is payable. The second is a test of contributions paid or credited* in a particular year (for short-term benefits) or throughout working life (for long-term benefits) in order to qualify for the standard rate of benefit. Generally speaking benefit is payable at reduced rates where this second condition is only partly satisfied.

**Short-term benefits and grants**

The first contribution condition for unemployment benefit, sickness benefit, maternity allowance and maternity grant is that the earnings factor based on contributions of the appropriate class actually paid in any one tax year since age 16 must be not less than 25 times the lower earnings limit for that year. The second contribution condition for these benefits is that the earnings factor based on contributions paid or credited in the tax year relevant to the claim for benefit must be not less than 50 (for maternity grant 25) times the lower earnings limit for that year. These benefits (other than maternity grant) are also payable at reduced rates where the second condition is only partly satisfied, subject to a minimum. The first condition set out above will be the only condition for widow’s allowance and death grant. The contribution conditions for sickness benefit are also in effect those for invalidity benefit which follows automatically after 28 weeks of sickness benefit.

**Long-term benefits**

The first contribution condition for widowed mother’s allowance, widow’s pension and category A and B retirement pensions is that the earnings factor based on contributions actually paid in any one tax year since age 16 must be not less than 50 times the lower earnings limit for that year. The second contribution condition for these benefits is that for each of not less than 90 per cent of the tax years of working life the earnings factor based on contributions paid or credited must be not less than 50 times the lower earnings limit. These benefits are also payable at reduced rates where the second condition is only partly satisfied, subject to a minimum. The first condition set out above will be the only condition for child’s special benefit.

*For an explanation of credits see paragraph 36.
allowance. There are no contribution conditions for category C or D retirement pensions, attendance allowance or guardian's allowance.
RESERVE PENSION SCHEME CONTRIBUTIONS

<table>
<thead>
<tr>
<th>Employee's earnings £</th>
<th>Employee's contribution £</th>
<th>Employer's contribution £</th>
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<tbody>
<tr>
<td>10</td>
<td>0.15</td>
<td>0.25</td>
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<td>0.50</td>
</tr>
<tr>
<td>30</td>
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<td>0.75</td>
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<td>1.00</td>
</tr>
<tr>
<td>48</td>
<td>0.72</td>
<td>1.20</td>
</tr>
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</table>

1. There is no liability for any contributions where earnings are less than £8 a week. If earnings are £8 a week or more, contributions become payable and are calculated on the total amount of earnings, up to £48 a week.

2. The rate of contributions payable by employees is 1.5 per cent of the relevant earnings and by employers 2.5 per cent.
## Table 1
Assuming constant earnings

<table>
<thead>
<tr>
<th>Age on birthday in tax year of entry</th>
<th>Weekly pension for man earning:</th>
<th>Reserve pension as % of earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£10</td>
<td>£20</td>
</tr>
<tr>
<td>55</td>
<td>0.4</td>
<td>0.9</td>
</tr>
<tr>
<td>45</td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td>35</td>
<td>2.0</td>
<td>4.0</td>
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<tr>
<td>25</td>
<td>3.4</td>
<td>6.8</td>
</tr>
<tr>
<td>22</td>
<td>3.9</td>
<td>7.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age on birthday in tax year of entry</th>
<th>Weekly pension for man earning:</th>
<th>Reserve pension as % of earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£10</td>
<td>£20</td>
</tr>
<tr>
<td>50</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>40</td>
<td>0.9</td>
<td>1.7</td>
</tr>
<tr>
<td>30</td>
<td>1.6</td>
<td>3.3</td>
</tr>
<tr>
<td>25</td>
<td>2.1</td>
<td>4.3</td>
</tr>
<tr>
<td>22</td>
<td>2.5</td>
<td>5.0</td>
</tr>
</tbody>
</table>

## Table 2
Assuming real earnings rising at 3% per annum

<table>
<thead>
<tr>
<th>Age on birthday in tax year of entry</th>
<th>Weekly pension for man whose earnings at entry are:</th>
<th>Reserve pension as % of earnings at retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£10</td>
<td>£20</td>
</tr>
<tr>
<td>55</td>
<td>0.5</td>
<td>1.0</td>
</tr>
<tr>
<td>45</td>
<td>1.4</td>
<td>2.8</td>
</tr>
<tr>
<td>35</td>
<td>2.9</td>
<td>5.9</td>
</tr>
<tr>
<td>25</td>
<td>5.5</td>
<td>11.0</td>
</tr>
<tr>
<td>22</td>
<td>6.6</td>
<td>13.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age on birthday in tax year of entry</th>
<th>Weekly pension for woman whose earnings at entry are:</th>
<th>Reserve pension as % of earnings at retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£10</td>
<td>£20</td>
</tr>
<tr>
<td>50</td>
<td>0.4</td>
<td>0.8</td>
</tr>
<tr>
<td>40</td>
<td>1.1</td>
<td>2.2</td>
</tr>
<tr>
<td>30</td>
<td>2.4</td>
<td>4.8</td>
</tr>
<tr>
<td>25</td>
<td>3.3</td>
<td>6.6</td>
</tr>
<tr>
<td>22</td>
<td>4.0</td>
<td>7.9</td>
</tr>
</tbody>
</table>

**Notes:**

1. The amounts of pension are based on the assumption that contributions on earnings at the levels shown (in the case of Table B, increasing at 3% a year) would be paid continuously from the beginning of the income tax year in which the age shown in the first column is attained up to the end of the income tax year preceding age 65 for a man or 60 for a woman. The youngest entrants to the reserve pension scheme will start paying contributions in the tax year following their 21st birthday: thus by the end of the tax year - the reference point for calculation of pension - they will be 22.

2. Table B shows the pensions which would be secured in accordance with the scales in the Bill if earnings were to rise at 3% per annum but may also be interpreted as showing the pensions, expressed in terms of today's money values, which would result if real earnings were to increase at 3% per annum and bonuses were in line with the rate of increase in prices.

3. On the death of her husband a widow becomes entitled to half his rate of pension.
THE QUEEN'S SPEECH ON THE OPENING OF PARLIAMENT

Note by the Secretary of the Cabinet

I circulate for the information of the Cabinet a copy of The Queen's Speech on the Opening of Parliament in the form in which it is intended to submit it to The Queen, subject to the inclusion of a passage in paragraph 10 in the light of the tripartite talks.

Signed BURKE TREND

Cabinet Office
24 October 1972
THE QUEEN'S SPEECH ON THE OPENING OF PARLIAMENT

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

1. My Husband and I look forward to our visits to Canada and Australia.

2. My Government will play a full and constructive part in the enlarged European Communities. They look forward to the opportunities membership will bring, for developing the country's full economic and industrial potential, for working out social and environmental policies on a European scale, and for increasing the influence of the enlarged Community for the benefit of the world at large.

3. My Ministers will seek to maintain and strengthen the North Atlantic Alliance. They will continue to sustain the Commonwealth association. My Government seek a positive improvement in East-West relations and are preparing in co-operation with their allies for a conference on security and co-operation in Europe. They will work for peace in the Middle East and in Indo-China. They seek to build upon the improved relations with China and hope for a peaceful and lasting settlement in the South Asian Sub-Continent.

4. My Government will work for co-operation within the United Nations; will support the United Nations law of the sea negotiations; and will continue to pursue agreed measures of arms control and disarmament. They will co-operate with other Governments in combating international terrorism. A Bill will be introduced to enable my Government to give effect to the Montreal Convention for the suppression of unlawful acts against the safety of civil aviation.

5. My Government are determined to protect the right of British fishermen to fish on the high seas off Iceland. They remain ready to reach an amicable interim agreement with the Government of Iceland.
6. My Government will continue their efforts to ensure that United Kingdom passport holders expelled from Uganda have the widest possible choice of countries in which to settle. Help will be given to those who settle here and to local authorities that need to make special provision for them.

7. My Ministers will continue to search resolutely for peaceful and just solutions to the political, social and economic problems of Northern Ireland. They are resolved that terrorism and violence shall be brought to an end. The reform of local government will be completed. Legislation will be introduced to provide for a poll on the question of the Border; and to make available additional grant and loan finance to the Northern Ireland Exchequer.

MEMBERS OF THE HOUSE OF COMMONS

8. Estimates for the public services will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

9. At home, my Government's overriding concern, as Britain enters the European Communities, will be to promote the high and sustained rate of economic growth which is essential for the achievement of their policies of providing increased employment and rising living standards, as well as for the provision of better houses, schools, and social services.

10. [The greatest danger to expansion, prosperity and full employment is inflation and my Ministers will therefore .......... reference to tripartite talks.]

11. It is my Government's intention to resume the maintenance of agreed margins round a fixed parity for sterling as soon as circumstances permit.

12. My Government will continue to pursue the reform of taxation, the burden of which they have already greatly reduced.
13. In developing their policies for economic growth my Government will pursue their measures to create confidence and stimulate employment in the assisted areas.

14. Legislation will be brought before you to reform and improve industrial training and to establish a manpower services commission.

15. Special help will continue to be given to those in need through the social security system and by means of rebates and allowances; and a Bill will be introduced to extend rent allowances to tenants of furnished accommodation.

16. Extra help will continue to be provided for areas of special social need.

17. Legislation will be introduced to promote fair trading and competition; and to improve the provisions of the law regarding insurance companies. Other measures to protect the consumer will be proposed.

18. A measure will be introduced to facilitate the building of a Third London Airport at Maplin.

19. My Government will continue to encourage, within the framework of the European Economic Community, a strong agricultural industry and the efficient production and marketing of food in this country.

20. My Government will take further positive action on the protection and improvement of the environment. A Bill will be laid before you to reorganise the management of water resources in England and Wales.

21. Legislation will be introduced to provide improved compensation for persons whose land is acquired by public authorities and for the injurious effects of public works schemes.
22. A Bill will be introduced to reform local government in Scotland. Legislation will be laid before you to reform certain aspects of local government finance in England and Wales; and to establish machinery for investigating complaints of maladministration in local government.

23. A Bill will be laid before you to reorganise the administration of the National Health Service in England and Wales and to establish a health service commissioner to deal with complaints.

24. Legislation will be introduced to reform the finances of the national insurance scheme and to encourage the more widespread development and improvement of occupational pension schemes.

25. My Ministers will carry out their announced annual review of retirement and public service pensions and related benefits.

26. My Ministers will present to Parliament proposals to extend the education service and to set new priorities.

27. My Government will vigorously pursue policies for the prevention of crime and the treatment of offenders. They are especially concerned at the continued growth in manifestations of violence. They will press forward plans for strengthening the police, prison and probation and aftercare services, developing the prison building programme and implementing the Criminal Justice Act.

28. Measures will be introduced to make further reforms in the law and improvements in the administration of justice.

29. Other measures will be laid before you.

MY LORDS AND MEMBERS OF THE HOUSE OF COMMONS

30. I pray that the blessing of Almighty God may rest upon your counsels.

24 October 1972
30 October 1972

CABINET

RATE SUPPORT GRANT 1973-74

Note by the Secretary of State for the Environment

1. In CP(72) 105, I gave a preliminary appraisal of the problems likely to arise in the forthcoming rate support grant negotiations. This was based on the outturn of local authority current expenditure in 1971-72. I now attach an interdepartmental note by officials containing a revised appraisal based on the preliminary discussions with officials of the local authority associations.

2. The earlier paper noted that expenditure in 1971-72 had been slightly higher than forecast in the Public Expenditure Survey Committee (PESC) report. This implied that the outcome of the rate support negotiations might be a forecast for 1973-74 some £20-£40 million above the present PESC provision of £3,935 million, with similar increases in later years. The present paper suggests that the outturn may now lie nearly £80 million above the PESC figures. The main reasons for this increase are underestimates in 1970 of the cost of providing services, and in particular education.

3. I do not know of any policy changes which would take effect quickly enough to reduce expenditure substantially in 1973-74. We must negotiate tightly but in my view we cannot deny to the authorities some of the improvement of services which they will argue is implied by the policies we have urged upon them. I suggest that a realistic target for our negotiation would be a relevant expenditure in 1973-74 at June 1972 prices of £4,934 million. To impose an arbitrary cut on this, as proposed by Treasury officials, would cast doubt on our policy on rate levels because a settlement at less than the realistic cost of the policies which we expect authorities to follow could mean that actual expenditure would exceed the forecast and authorities would have to make up any shortfall on grant by higher rates. I therefore seek the agreement of my colleagues to negotiate within a margin of £10 million above £4,934 million. This would imply expenditure in PESC terms in 1973-74 of £67 million to £77 million above the present PESC provision and a rate of growth between 1971-72 and 1973-74 at an annual rate of 5.1 per cent compared with 4.5 per cent in the PESC report.
4. A projection of the policies consistent with these figures for 1973-74 would however produce total expenditure in 1976-77 £74 million above PESC. We shall need to consider the implications of this in the context of all the other demands on public expenditure. Moreover, in addition to settling grant for the one year 1973-74 we shall be expected to indicate provisionally the levels of expenditure which may be appropriate for the next two years and I propose that we should tell the associations that the implications of continuing growth at the rates implied by the present forecast are unlikely to be acceptable and that we shall therefore be seeking how best to reduce the rate of growth.

IMPLICATIONS FOR RATES

5. If grant was held at the present rate of 58 per cent of £4,934 million in June 1972 prices, it could be expected to lead to an increase of average rate poundages in 1973-74 of 12.5 per cent. With the existing domestic reduction of 10½p, domestic poundages would rise by 16.3 per cent (after allowing for a 2 per cent shift of rates from non-domestic properties as a result of revaluation). By increasing the domestic element to 19p (say 7½p after revaluation) and the rate of grant to 60 per cent the rise in average domestic rates could be held down to about 7 per cent. This should be sufficient to enable us to say that we had made a generous settlement and that by and large the increase in rate payment should not be out of line with the outcome of the tripartite discussions.

CONCLUSIONS

6. I invite my colleagues to agree that:

i. I should seek to reach agreement on a figure of relevant expenditure for rate support grant for 1973-74 of £4,934 million at June 1972 prices but that I should have discretion to exceed this by not more than £10 million.

ii. I should inform the associations that I would be seeking to reduce rates of growth in subsequent years.

iii. The increase in grant should be concentrated on domestic ratepayers rather than spread over the whole field; the rate of grant should be fixed at 60 per cent and the adjustment of domestic rates at 7½p on the new values.

P W

Department of the Environment

30 October 1972
Second Note by Officials

1. In the first report (annexed to CP(72)105) we drew attention to the outcome of local authority current expenditure in 1971-72 and to the likely implications for the forthcoming rate support grant negotiations and for rate levels in 1973-74.

2. We have now completed the first round of discussions with the local authority associations, in the light of forecasts of expenditure in 1973-74, 1974-75 and 1975-76, assuming continuation of present policies, prepared for each of the five main groups of services by working groups of officials of Departments and local authorities.

3. Generally there was a broad measure of agreement between the two sides on the forecasts of the expenditure that would arise with no change in policy or, in some cases, with no change in the established trends. But in a few cases, Departments envisaged slightly lower figures than the local authorities considered realistic. The associations have now submitted their bids of the levels of expenditure which they would consider appropriate in the light of the demands upon them for the improvement of services.

4. The main issues are discussed in Appendix 1, but in summary, the position is as follows:

<table>
<thead>
<tr>
<th>1973-74 Forecast (June 1972 Prices) £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departmental Forecasts</td>
</tr>
<tr>
<td>Local Authority Proposals</td>
</tr>
<tr>
<td>Difference</td>
</tr>
</tbody>
</table>

IMPLICATIONS FOR PESC

5. The figures in para 4 above are in rate support grant terms. As previously explained, they need to be adjusted in content and in price basis to make them consistent with the PESC report. Although the year 1976-77 lies beyond the range of the negotiations the implications for that year of the three sets of figures have also been worked out.

6. Appendix 2 gives a detailed comparison of the figures for each Department, but in summary the position is:
The level foreseen for 1976/77 represents a significant addition to the rate of increase (from 1971/72) foreseen in the PESC report and would add significantly to the problems already faced by Ministers in implementing the Cabinet's objective for public expenditure. Ministers will therefore no doubt wish to consider what policy steps can be taken to reduce growth up to 1976/77 to that foreseen in the Survey. We understand that Treasury Ministers have already invited those of their colleagues concerned to undertake this consideration. In addition, it is necessary to consider what can be done to influence local expenditure in 1973/74, the base upon which further growth to 1976/77 will take place. The scope here is clearly limited. The position is also complicated by the Government's desire, in order to restrain the increase in rates, for a more generous RSG settlement than in the previous years, since restriction of grant is an important means of influencing local expenditure decisions. We think however, that advantage can be taken of the Government's intention to be more generous on the percentage of grant to ask for the local authorities' co-operation in restraint of the actual expenditure to which it will attach. Proceeding on these lines would point to the Government basing itself on the Departmental forecasts of relevant expenditure (less any consequentials in 1973/74 of any further policy measures designed to deal with the excess foreseen in 1976/77) and asking local authorities to match the Government's generosity on the percentage of grant by exercising the greatest possible restraint.

It would be essential, however, for a general exhortation of this nature to be accompanied subsequently by restraint on the part of central government from encouraging local authorities to spend more on individual services.

This is common ground between officials. The issue on which we are not agreed is whether this restraint should be translated into a specific figure which would be deducted from the level of expenditure on which grant would be given. The Treasury think that local authorities should be asked to make savings of £30 million on the level referred to. This saving would reduce the base from which subsequent growth would take place and should therefore be reflected throughout the Survey period. It should also be reflected by an adjustment for each of the services concerned. The Treasury thinks that the Government's intended generosity on rate support grant justifies asking local government to play its part in holding rates down
by seeking the maximum economy which can be obtained by the exercise of local discretion and by reinforcing the efforts which are already being made to improve the effectiveness of their organisation in relation to its cost. The DOE and other Departments, however, consider that experience on previous occasions has shown that an arbitrary reduction in local government expenditure is ineffective when it is imposed on forecasts which reflect the realistic cost of the policies which are being urged on local authorities. A cut of this nature will be seen by the local authorities as merely reducing the extent of the Government's generosity on the grant and is unlikely in the event to be reflected in corresponding reductions in actual expenditure.

10. The revision of the forecast of expenditure and the latest estimates of the rate of inflation mean that if the rate of grant were unaltered, domestic rate poundages would tend to rise by 16.0 per cent and the non-domestic rate burden by 10.5 per cent (after allowing for the effects of revaluation, which will tend to marginally increase the domestic ratepayer's share of the total). These figures allow for the expected burden on the rate fund in 1973/74 of trading services such as housing, which are not part of relevant expenditure.

11. Ministers have already agreed that the grant settlement should be more generous than in 1970 and should have regard to the tripartite discussions with the CBI and TUC (without, however, being tied to a particular figure). The following table shows the effect on domestic rates, of changes in the rate of grants.
<table>
<thead>
<tr>
<th>Rate of Grant</th>
<th>Increased Cost</th>
<th>Domestic Reduction</th>
<th>% Increase in Rates</th>
<th>% Increase in Domestic Rates</th>
<th>% Increase in Non-domestic rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>-</td>
<td>10.5</td>
<td>16.3</td>
<td>16.3</td>
<td>10.5</td>
</tr>
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<td>136.6</td>
<td>21.0</td>
<td>4.8</td>
<td>10.8</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Note: The adjustments to relevant expenditure suggested by the Treasury would have only a marginal effect on these figures.
12. The table shows that an increase in the grant percentage of 1 per cent (as was the practice before 1970) to 59 per cent could reduce the prospective increase of domestic rates to either 12.0 per cent or 14.0 per cent depending on whether the benefit was given to domestic ratepayers only or spread over all ratepayers. To bring the increase in rates down to 5 per cent would require a rate of grant of either 60.5 per cent or about 63 per cent according to the spread of relief as above.

13. In deciding whether to concentrate relief on domestic ratepayers or extend it also to non-domestic ratepayers, Ministers will wish to bear in mind on the one hand that rates are an industrial cost and that the CBI have drawn this to attention in the tripartite talks, and on the other hand, that to spread relief over the whole field roughly doubles the cost to the central government.

14. Appendix 3, prepared by DOE, sets out the details of the calculations.
## Appendix 1

### DEPARTMENTAL FORECASTS

#### SUMMARY

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bid</strong></td>
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<tr>
<td><strong>DEPARTMENTS</strong></td>
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<td><strong>EDUCATION</strong></td>
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</tr>
<tr>
<td><strong>HEALTH AND SOCIAL SECURITY</strong></td>
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<td><strong>HOME OFFICE</strong></td>
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<td><strong>HIGHWAYS</strong></td>
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<td><strong>DOE MISC.</strong></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>4968</td>
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<tr>
<td><strong>Proposals</strong></td>
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<td><strong>EDUCATION</strong></td>
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<td><strong>EMPLOYMENT</strong></td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>4934</td>
</tr>
</tbody>
</table>

The Department also considers that the above forecasts of departmental expenditure are based on an interpretation and approach that was considered to be realistic at the time. The Department does not accept that expenditure should be reduced by £2m in 1973-4, £19m in 1974-75, and £18m in 1975-76.

After the reductions indicated above, the Department considers that the Sub-group's forecasts for 1973-7, are a realistic estimate of the cost of meeting existing policies and do not otherwise provide for any deliberate improvement in standards or coverage. The amount by which they exceed the PMS forecasts is a proper reflection of the fact that the 1971-72 forecasts were higher than expected and that for a number of items of expenditure no new and more accurate forecasting methods have been introduced. These factors, in combination, should make for a closer congruence between forecasts and performance.
The local authority associations have claimed an increase in the improvement factor in non-teaching costs in schools and further education from the 3% proposed in the Education Sub-group's report (which the association consider inadequate) to 4%. The associations point to the higher outturn in 1971-72 as evidence in support of their claim. The Department's view is on the contrary that after the generous treatment of improvement factors in the 1970 settlement (when 3% was allowed for 1971-72 and 3% for 1972-73) a continuation at 3% would be enough in 1973-74. The associations' claim would increase expenditure (at 30 June prices) by £6.0m in 1973-74 (£8.8m in 1976-77). The Department's proposal would reduce it by £6.0m in 1973-74 (£17.7m in 1976-77).

The associations have also claimed that expenditure on school meals should be increased by £1.1m in 1973-74 (£1m in 1976-77) on the grounds that the estimate of the number of free meals to be provided is too low; and that expenditure on libraries should rise by 5% annually from 1973-74 onwards (compared with 4% in the Sub-group's report) thus increasing the forecasts by £0.6m in that year (£3.1m in 1976-77). The Department does not accept that there is sufficient evidence to substantiate either of these claims.

The Department also considers that the Sub-group's forecasts of expenditure on advanced further education are too high because they make no allowance for the effect of the Pooling Committee's recommendations (accepted by the associations) for more stringent staff-student ratios and for the observed shift in the balance of subjects from the more expensive science and technology to the cheaper arts, and social sciences. After allowing for the associations' contention that the Pooling Committee's recommendations cannot be given much effect as early as 1973-74, the Department's conclusion is that expenditure should be reduced by £1m in 1973-74 and £10m in 1976-77.

After the reductions indicated above the Department considers that the Sub-group's forecasts for 1973-74 are a realistic estimate of the cost of maintaining existing policies and do not otherwise provide for any deliberate improvement in standards or coverage. The amount by which they exceed the PESC forecasts is a proper reflection of the fact that the 1971-72 outturn was higher than expected and that for a number of lines of expenditure new and more accurate forecasting methods have been introduced. These factors, in combination, should make for a closer concordance between forecasts and outturn.
LOCAL HEALTH

The respective forecasts for 1973/74, in RSG terms at 30 June 1972 pay and prices, are:

<table>
<thead>
<tr>
<th></th>
<th>LA</th>
<th>DHSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ million</td>
<td>156.9</td>
<td>154.3</td>
</tr>
</tbody>
</table>

DHSS broadly accepts the case made for improved standards and increases in staff but does not consider that the rate of growth proposed is likely to be fully achieved.

PERSONAL SOCIAL SERVICES

The respective forecasts for 1973/74 are:

<table>
<thead>
<tr>
<th></th>
<th>LA</th>
<th>DHSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ million</td>
<td>334.8</td>
<td>322.0</td>
</tr>
</tbody>
</table>

The LA forecast is based on the conviction that now the new Personal Social Services have settled down, they are ready to make as much progress as central government allows. The forecast reflects rapidly increasing needs for social work staff and growing pressures to meet demands brought about by legislation related to the elderly and to the disabled, such as the Chronically Sick and Disabled Persons Act, 1970, and the Health Services and Public Health Act, 1968. The Authorities' forecast includes an overall, unallocated sum of £10 million to help meet these pressures.

DHSS accepts generally the case for increases in staff, particularly social workers, but does not consider that the expansion in other areas is wholly attainable in 1973/74; and it rejects the idea of an unallocated sum of £10 million, preferring to base its proposals on the needs of each part of the service.

(CONFIDENTIAL)
HOME OFFICE SERVICES

There is very little difference between the Home Office estimates and those of officials of the local authority associations. The lowest reasonable estimate for 1973/74, based on existing policy and trends, is just under £496m in RSG terms at June 1972 prices, and the highest is £498.4m. The lower figure is based on an assumed growth of police manpower of 3,500 over the previous year, which the local authorities consider reasonable, but the Home Office consider the estimates should be based on an increase of 4,000. The lower figure also provides for less probation officers (50) than the forecast of the Home Office. (The police and probation services are aided by specific grants and, because of the effect of specific grants on the rate support grant distribution, the local authorities tend to try to keep the estimates for specific grant services as low as possible.) Based on the lower manpower figures for police and probation officers the local authority bid is £497.3m; on the higher manpower figures for police and probation, and with appropriate pruning in other services, the Home Office consider the figure should be about £498m.
Departmental and local authority forecasts differ for the cost of maintenance of roads. The local authorities consider that the departmental forecast includes an inadequate allowance for the implementation of the Marshall Committee Report, which recommended higher standards of road maintenance. The departmental figures reflect the maximum which the department consider feasible; local authority manpower is at present engaged on bringing trunk road maintenance to Marshall standards and will be so engaged during 1973. It therefore seems improbable that local authorities will be able to start on their own roads as early or intensively as is envisaged in their figures. The local authorities however believe that resources will be available, partly because of an increased intake of staff for infrastructure work. Within relevant expenditure, the total figure for maintenance suggested by the department was £205m and includes an allowance of £10m for Marshall. The local authority figures allow £20m for Marshall and assumed that this work will represent about 10% of normal maintenance. This percentage may well be valid for 1974-5 and 1975-6, but because of the trunk road work is, in the department's view, unlikely to be reached in 1973-4.
DOE MISCELLANEOUS

The sub-group report suggested a possible range of forecasts totalling between £773.8m and £794.4m. Having considered the views expressed by Association representatives, the Department now accepts their forecasts on all but one of the services within this heading, and proposes a revised forecast (on the basis used by the sub-group) of £790.8m.

The remaining difference is on Town and Country Planning. The local authorities contend for an annual growth rate of 12% in net expenditure, concentrated largely on extra staffing and related costs, and operating in 1972-73 and later years. The Department does not accept as realistic cumulative growth at such a rate and prefers its own assumption of 9.2% cumulative growth. But it concedes that the rate of growth for 1972-73 assumed in earlier forecast was unrealistically low and should be increased to 9.2%. This would lead to a forecast for 1973-74 of £2m over the sub-group's minimum, as against the £5.6m more which the associations are seeking.

Price Basis

Re-examination of the data upon which the forecasts were based has convinced the Department that in repricing to June 1972 levels an under-valuation by between 1½% and 2% had taken place and a correction is required if the forecast of expenditure on all the DOE Miscellaneous services is not to be understated. A provisional sum of £16.5m. has been added to the forecast to allow for this, making a revised forecast of £807.3m. But the discrepancy is still being analysed and it may be that not all of this provision will be required.
<table>
<thead>
<tr>
<th></th>
<th>1971-72</th>
<th>1973-74</th>
<th>1976-77</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PESC (Adjusted)</td>
<td>Actual Outturn</td>
<td>PESC (Adjusted)</td>
</tr>
<tr>
<td>D/Education</td>
<td>2037.2</td>
<td>2065.1</td>
<td>2210.9</td>
</tr>
<tr>
<td>DHSS</td>
<td>347.8</td>
<td>355.0</td>
<td>404.4</td>
</tr>
<tr>
<td>HO</td>
<td>492.8</td>
<td>492.6</td>
<td>518.0</td>
</tr>
<tr>
<td>DOE Highways</td>
<td>259.8</td>
<td>249.5</td>
<td>285.9</td>
</tr>
<tr>
<td>D/Employment</td>
<td>10.4</td>
<td>10.5</td>
<td>11.5</td>
</tr>
<tr>
<td>DOE Misc.</td>
<td>473.7</td>
<td>459.1</td>
<td>537.2</td>
</tr>
<tr>
<td>&quot;Efficiency Out&quot;</td>
<td>-10.0</td>
<td>-25.0</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>3611.7</td>
<td>3631.8</td>
<td>3942.9</td>
</tr>
</tbody>
</table>
CALCULATION OF IMPACT ON RATES

Rate estimates include provision for some expenditure not relevant for rate support grant. After adjusting for these, including an allowance for some benefits from the effect of the Housing Finance Act, the proposed settlement of relevant expenditure implies an increase over 1972-73 at constant prices of about 6.7%. Authorities may also tend to over-rate to allow for the uncertainty produced by revaluation, but on the other hand, there will be a tendency to run-down balances.

2. Each authority will have to decide for itself what provision to make in its rate estimate for inflation, but they will no doubt have in mind that even if pay increase are limited in accordance with the outcome of the tripartite discussions, this will still represent a substantial increase in their salary and wages bill. It seems unlikely that authorities as a whole will provide for less than 8% inflation in their rate estimates.

3. On balance therefore, it would not be unreasonable to look for an increase in rate estimates in 1973-74 of about 14.7%, which would be partially off-set by the tendency of rateable value at constant prices to increase by 2.2% p.a. Thus, if no change were made in the percentage of relevant expenditure met from grant, average rate burdens might be expected to increase by 12.5%.

4. The impact on the domestic ratepayer would be somewhat larger than this for two reasons:

   (i) due to the 10½p domestic rate reduction, percentage increases in domestic rates are measured from a lower base;

   (ii) the effect of revaluation of properties in April 1963 which will alter the distribution of rateable value as between domestic and non-domestic properties by about 1% - i.e. given the same total rate burden, domestic ratepayers as a whole stand to pay 2½ more rates than before.

Allowing for these factors, average domestic rates would increase by about 16.3% while non-domestic rates would increase by 10.5%.

5. Relevant expenditure at outturn prices, allowing for 8% pay and prices increases, would be about £5470m. Rateable values at 1 April 1973 are likely to be:

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<thead>
<tr>
<th></th>
<th>£m</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(Present Values)</td>
<td>(New Values)</td>
</tr>
<tr>
<td>Domestic</td>
<td>1298</td>
<td>3203</td>
</tr>
<tr>
<td>Non-domestic</td>
<td>1177</td>
<td>3020</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2475</td>
<td>6223</td>
</tr>
</tbody>
</table>

Thus each additional 3% step in the rate of grant will cost £27.3m and will, if applied generally reduce rates by about 1.7%. If applied solely to domestic element it would reduce domestic rates by about 2.3% (requiring an increase in the domestic adjustment of 2.1p on present values or 0.85p after revaluation).
CABINET

INFLATION (TEMPORARY PROVISIONS) BILL

Note by the Secretary of the Cabinet

1. By direction of the Prime Minister I am circulating copies of the latest drafts of the Inflation (Temporary Provisions) Bill and the White Paper explaining the purposes of the Bill.

2. Both these drafts are highly sensitive, and the Prime Minister has asked that very particular care should be taken to ensure their confidentiality.

Signed BURKE TREND

Cabinet Office

2 November 1972
ARRANGEMENT OF CLAUSES

Clause
1. Prices, pay and dividends.
2. Rents.
3. Duration of sections 1 and 2.
4. Authority for employers to disregard pay increases in existing contracts.
5. Power to obtain information.
6. Offences.
7. Consents required for prosecutions.
8. Application to Scotland.
9. Application to Northern Ireland.
10. Interpretation.
11. Administrative expenses.
12. Short title and supplemental provisions.

SCHEDULE—Supplemental provisions.
DRAFT
OF A
BILL
To Authorise measures to meet inflation.
A.D. 1972

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

5 1.—(1) Prices or charges to which this section applies, and Prices, pay which are for transactions effected by a person at a time when dividends, this section applies to the prices or charges, shall not exceed the prices or charges for transactions of the same description effected by the same person in the course of business before 6th November 1972.

(2) An employer shall not pay remuneration to which this section applies for work for any period during which this section applies to the remuneration at a rate which exceeds the rate of remuneration paid by him for the same kind of work before 6th November 1972.

(3) A company to which this section applies shall not declare an ordinary dividend which exceeds the corresponding ordinary dividend declared by that company in the previous calendar year, and shall not declare an ordinary dividend which does not correspond to any ordinary dividend declared in the previous calendar year.

(4) The Secretary of State may apply this section—

(a) to any prices for the sale of goods, and to any charges for the performance of services, including charges for the application of any process to goods, being prices or charges in the course of business, and
(b) to remuneration under contracts of employment for any kind of work to be performed wholly or substantially within the United Kingdom, or on British ships or aircraft, and

c) to companies incorporated under the law of the United Kingdom, other than investment trusts.

(5) The power conferred by subsection (4) above shall be exercisable by order, or by notice given to the person, or each of the persons, to whom this section is to apply.

(6) There is no contravention of this section if the transaction is authorised by the order or notice applying this section, or by the consent of a Minister given in writing.

(7) Nothing in this section shall give rise to any criminal or tortious liability for conspiracy, or to any other liability in tort.

2. The Secretary of State may by order provide for preventing increases of rent over rent payable before 6th November 1972.

3.—(1) Subject to the provisions of this Act, sections 1 and 2 of this Act shall cease to have effect at the expiration of a period of ninety days beginning with the date on which this Act is passed.

(2) Her Majesty may by Order in Council made not later than thirty days before the date on which the said sections 1 and 2 would otherwise cease to have effect, substitute for the ninety days mentioned in subsection (1) above such longer period, not exceeding one hundred and fifty days, as may be specified in the Order.

(3) An Order in Council under subsection (2) above shall cease to have effect at the expiration of a period of twenty-eight days beginning with the date on which it is made, unless before the end of that period the Order has been approved by a resolution of each House of Parliament.

4.—(1) This section applies to any contract of employment made before the date of the coming into force of this Act under which any person who has worked for the employer since before that date is to receive remuneration for the same kind of work for any period after that date which is at a higher rate than that at which he was being remunerated for work of that kind immediately before that date.

(2) If after having given not less than one week’s notice in writing, the employer pays or tenders to the employee remuneration for work for any period after the said date, and...
while section 1 of this Act is in force, at a rate which is not less than that at which he was paid for the same kind of work immediately before that date, the employer shall not be liable in respect of a breach of a contract to which this section applies for failure to pay remuneration at the rate provided by the contract.

(3) Subsection (2) above shall not take away the employee's right to rescind the contract.

(4) This section shall not apply to a contract for work to be performed wholly or mainly outside the United Kingdom.

5.—(1) The Secretary of State for the purposes of this Act may by notice require any person to furnish to the Secretary of State such estimates, returns or other information as may be specified or described in the notice, and may in the notice specify the time, the manner and the form in which any such estimates, returns or information are to be furnished.

(2) No person shall be compelled in complying with any such notice to give any information which he could not be compelled to give in evidence in proceedings before the High Court.

6.—(1) If a person contravenes any of the provisions of section 1 of this Act he shall be liable—

(a) on summary conviction to a fine not exceeding £400, and
(b) on conviction on indictment to a fine.

(2) If an organisation of workers or employers, or any other organisation or person, takes, or threatens to take, any action with a view to compel, induce or influence a person to contravene any of the provisions of section 1 of this Act, he shall be liable—

(a) on summary conviction to a fine not exceeding £400, and
(b) on conviction on indictment to a fine.

(3) A person who—

(a) refuses or wilfully neglects to furnish any estimate, return or other information required of him by a notice under section 5 of this Act, or
(b) in furnishing any such estimate, return or other information makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular,

he shall be liable on summary conviction to a fine not exceeding £50.
(4) Where an offence is alleged to have been committed under this Act by an organisation of workers or employers, or by any other organisation, being an unincorporated body—

(a) proceedings for the offence shall be brought in the name of that body (and not in that of any of its members),

(b) for the purpose of any such proceedings any rules of court relating to the service of documents shall have effect as if that body were a corporation, and

(c) any fine imposed on conviction shall be payable out of the funds of that body.

(5) Where an offence mentioned in subsection (4) above is an offence punishable on conviction on indictment, section 33 of the Criminal Justice Act 1925 and Schedule 2 to the Magistrates' Courts Act 1952, shall have effect as if the said body were a corporation.

(6) Where an offence under this Act committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of this offence and shall be liable to be proceeded against and punished accordingly.

(7) Where the affairs of a body corporate are managed by its members, subsection (6) above shall apply in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.

Consents required for prosecutions.

7.—(1) Proceedings for an offence under this Act shall not be instituted in England or Wales except by or with the consent of the Attorney General.

(2) This section shall not prevent the issue or execution of a warrant for the arrest of any person in respect of an offence, or the remanding in custody or on bail of any person charged with an offence.

Application to Scotland.

8.—(1) This Act in its application to Scotland shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the Court of Session.

(3) Section 1(7) shall not apply, but where any act is prohibited by section 6(2) of this Act, the fact that it is so prohibited
shall be treated as irrelevant for the purposes of any civil proceedings.

(4) In relation to any proceedings on indictment for an offence alleged to have been committed under this Act by a body such as is mentioned in section 6(4) of this Act, section 40 of the Criminal Justice (Scotland) Act 1949 (proceedings on indictment against bodies corporate) shall have effect as if the said body were a body corporate.

(5) For any reference to the Hire-Purchase Act 1965 there shall be substituted a reference to the Hire-Purchase (Scotland) Act 1965.

9.—(1) It is hereby declared that this Act extends to Northern Ireland, and in the application of this section to Northern Ireland it shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the High Court in Northern Ireland.

(3) Where an offence mentioned in section 6(4) of this Act is an offence punishable on conviction on indictment, section 18 of the Criminal Justice Act (Northern Ireland) 1945 and Schedule 5 to the Magistrates’ Courts Act (Northern Ireland) 1964 (procedure on charge of an offence against a corporation) shall have effect as if the body there mentioned were a corporation.

(4) Proceedings for an offence under this Act shall not be instituted in Northern Ireland except by or with the consent of the Attorney General for Northern Ireland, but this subsection shall not prevent the issue or execution of a warrant for the arrest of any person in respect of an offence, or the remanding in custody or on bail of any person charged with an offence.

10.—(1) In this Act, unless the context otherwise requires—

“business” in the expression “in the course of business” includes any trade, profession or vocation;

“employee” means an individual who has entered into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise, be expressed or implied, oral or in writing, and whether it be a contract of service or of apprenticeship; and cognate expressions shall be construed accordingly;

“goods” includes ships and aircraft, minerals, substances and animals (including fish);
“investment trust” means a company which is for the time being treated under section 359 of the Income and Corporation Taxes Act 1970 as an investment trust for purposes to which that section applies;

“Minister” has the same meaning as “Minister of the Crown” in the Ministers of the Crown (Transfer of Functions) Act 1946;

“price” includes a charge of any description;

“rent” includes rent subject to the Landlord and Tenant Act 1954, any Part of the Rent Act 1968, or any corresponding legislation forming part of the law of Scotland or Northern Ireland;

“trade association” means any body of persons (whether incorporated or not) which is formed for the purpose of furthering the trade interests of its members or of the persons represented by its members;

(2) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed as a reference to that enactment as amended or applied by or under any other enactment, including this Act.

(3) This Act shall apply in relation to—

(a) a conditional sale agreement, and

(b) a hire-purchase agreement,

as if the agreement were a sale of the goods to which the agreement relates for an amount equal to the total purchase price or hire-purchase price with a fair reduction where the consideration for receipt of that price includes the installation, maintenance or repair of the goods or the performance of other services apart from the giving of credit.

This subsection shall be construed in accordance with the Hire-Purchase Act 1965.

1965 c. 66.

11. Any administrative expenses incurred by a government department in consequence of the provisions of this Act shall be paid out of money provided by Parliament.

Short title, supplemental provisions and application to Northern Ireland.

12.—(1) This Act may be cited as the Inflation (Temporary Provisions) Act 1972.

(2) The Schedule to this Act shall have effect for supplementing this Act.
SCHEDULE

SUPPLEMENTAL PROVISIONS

Contents of orders and notices under sections 1 and 2

1.—(1) An order or notice under section 1 or section 2 of this Act
may be framed in any way whatsoever, may prescribe any method
of comparing prices, charges, rates of remuneration, dividends or
rents, and may define any expression used in those sections.

(2) Any such order or notice concerning remuneration may take
account of terms or conditions of employment, and may determine
whether remuneration becoming payable after the period for which
it is payable is to be taken into account in making any comparison.

(3) Any such order concerning dividends or rents may contain
any kind of supplemental or incidental provisions, including pro­
visions creating criminal offences, and, in the case of an order con­
cerning rents, provisions for the recovery of rent overpaid.

Validity of transactions

2.—(1) The Secretary of State may by order prescribe the degree
to which any contract, lease or other transaction affected by section 1
or section 2 of this Act is to be invalid either at the time when
sections 1 and 2 of this Act are in force, or later.

(2) Where in accordance with any such order a contract to pay
any remuneration remains invalid after the said time the order
may further provide that the provisions of section 6 of this Act
shall continue to apply in relation to the implementation of the
contract as if sections 1 and 2 of this Act were still in force.

Legislation passed before this Act

3.—(1) This Act, and any provision made under this Act, shall
have effect notwithstanding anything in any other Act or statutory
provision.

(2) The Secretary of State may by order provide that any Act
passed before this Act, or any provision having effect under any such
Act, which relates to prices, charges, remuneration, dividends or
rent shall, while sections 1 and 2 of this Act are in force, have effect
subject to such exceptions, modifications or adaptations as may be
specified in the order.

Variation of orders and notices

4.—(1) An order made or notice given under this Act may be
varied or revoked by subsequent order or notice so made or given.

(2) The variation or revocation of the order or notice shall not
affect liability for any offence committed before the variation or
revocation takes effect.
Parliamentary control of orders

5. An order under this Act shall be contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

Giving of notices

6. The Secretary of State may by regulations in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament prescribe the form of any notice to be given under this Act, the manner in which the notice is to be given and the evidence which is to be sufficient evidence of its having been given.

Crown servants

7.—(1) Although this Act does not bind the Crown, an order may be made under this Act so as, without imposing any obligation on the Crown as an employer or otherwise, to apply (either expressly or impliedly) to persons employed by or under the Crown, and section 2(6) of this Act shall apply accordingly.

(2) For the purposes of this Act employment by any such body as is specified in Schedule 3 to the Redundancy Payments Act 1965 (national health service employers) shall (if it would not otherwise be so regarded) be regarded as employment by or under the Crown.

(3) In the application of this paragraph to Northern Ireland references to the Crown include references to the Crown in right of the Government of Northern Ireland.
DRAFT
OF A
BILL
To authorise measures to meet inflation.

CCCXXXIX—B (2)

2nd November, 1972
A PROGRAMME FOR CONTROLLING INFLATION: THE FIRST STAGE

1. Since July the Government has had a series of meetings with the CBI and the TUC on the objectives of economic management and on the methods by which those objectives should be pursued over the next 12 months. Agreement was reached on three objectives: the need for faster growth in national output and real incomes, for an improvement in the relative position of the low paid and for moderation in the rate of cost and price inflation. The Government put forward proposals for achieving these objectives on 26 September, but it became clear by November that it was not possible to reach agreement on ways of reducing the rate of inflation. The Prime Minister announced in a statement to the House of Commons on November that the Government had concluded that it was necessary to bring in statutory measures to secure the agreed objectives.

2. In the course of his statement the Prime Minister explained that the Government would introduce legislation as soon as it could be prepared to provide for separate monitoring machinery for prices and for pay. Ministers would be able to refer proposed price or pay increases to the appropriate body and direct that any increase which failed to secure its approval should not take place. Guidance would be issued by the Government on the appropriate rate of price and pay increases and on the considerations which should apply to them. This guidance would be related to the agreed objectives and the Government intended that it should in the first instance follow broadly the pattern of the proposals made by the Government in the tripartite talks. Provision would be made in the legislation for both sides of industry to be represented on the monitoring bodies.
4. Powers would also be taken to limit dividend distributions. Reference to rents

5. As it will take time to work out the powers and machinery necessary to achieve this, the Prime Minister announced that the Government would propose a standstill for an interim period on increases in prices, rents, dividends and pay. The standstill will operate from November. An interim Bill will be introduced to give Ministers powers to enforce the standstill. The Bill will propose that these powers should run for 90 days from enactment in the first instance but with provision for an extension by Affirmative Resolution Order of up to a further 60 days to ensure that the standstill lasts until the longer term legislation receives the Royal Assent.

5. This White Paper describes how the standstill is to be applied during this interim period.

PRICES AND CHARGES

6. The standstill applies to prices and charges for goods and services whether provided by the private or the public sector, including increases which have been announced but not implemented by November.

7. The Government recognises that the imposition of a standstill will present problems for some enterprises, notably for those members of the CBI and the nationalised industries which have already observed a 15 month period of price restraint. However, enterprises will be required to absorb cost increases to the maximum extent possible, and exceptions will generally be confined to cases where the importance of the costs of imported raw materials or of certain fresh foods whose supply varies seasonally makes this impracticable. Further guidance on this is given in Annex I.
Outside these limited categories, enterprises which consider that their costs (either import costs or domestic costs) have risen so far that it is impracticable for them to be absorbed will need to submit details to the relevant Government Department and obtain its consent, or run the risk of having price increases reversed by notice or order under the interim Bill. Such proposals will be strictly scrutinised. Agreement will generally be confined to cases where increased costs cannot be absorbed by increased productivity or a temporary reduction in profit margins. Wholesalers should not increase their cash margins during the standstill.

9. The Government intend that the principles of the standstill shall apply to the prices of the nationalised industries, and to central Government fees and charges, except to the extent that the steel industry may require to adjust its prices under its obligations to the European Coal and Steel Community.

PRICE FIXING BODIES

10. Statutorily established price fixing bodies such as the Traffic Commissioners and the Civil Aviation Authority will be subject to the principles of the standstill.

RATES

11. Local rates are a tax, not a price. But the Government will consult the local authorities in the forthcoming rate support grant discussions with a view to moderating the rate of growth of local rates, since rates enter into both household and industrial costs.
The rents charged by local authorities and new towns are governed by the Housing Finance Act 1972 and the corresponding Scottish Act. Under these Acts the tenants of these authorities are covered by rebate schemes from 1 October 1972, and most authorities were required to increase the rents of their dwellings for 1972/73 in October 1972. As these rent increases were due to take place before the standstill they are not affected by it and any authorities who have not so far discharged this statutory obligation will not be relieved of it by the standstill.

Further increases in local authority rents under the Housing Finance Act are not due until 1 April 1973 and the Government expect that this will be after the 90 day standstill period. However the Government propose to increase rent rebates and allowances for both public authority and private tenants in a way which will in any event limit the effect of the April 1973 rent increases for those tenants least able to afford them. However, the powers in the interim Bill would be wide enough to allow the Government to defer or modify the April 1973 rent increases if the standstill were still in force.

About half of the tenants of private unfurnished accommodation are at present subject to rent control. Some of them are due to move from control to regulation on 1 January 1973 and to be liable to have their rent increased if a fair rent is subsequently registered for their dwelling. The Government will by order postpone this date to the end of the standstill period. For those private tenants whose rent is regulated and who are thus already within the fair rent system, and for tenants of housing associations who come within that system on 1 January 1973, legislation will provide that
Any fair rent registered during the standstill which is higher than the existing rent will not take effect until the end of the standstill.

15 The rent of furnished accommodation will be subject to the standstill.

16 The rent of business premises and land has a direct effect on the price of many goods and services, and unlike housing rents these rents are subject neither to statutory controls nor to rebate provisions. It is intended that they should be subject to the standstill provisions.

INCOMES

Employment Incomes

17 The standstill applies to all increases in pay and to other improvements in the terms and conditions of employment, eg hours and holidays, though not to occupational pensions. All concerned in the determination of pay and other conditions of employment in both the public and private sectors, whether at industry, company or plant level, will be subject to the requirements of the standstill, as will arbitrators, independent review bodies and statutory wage fixing bodies.

18 The term "pay" covers all rates of pay. In addition to the basic rate, this includes rates of pay for overtime or weekend work, piece rates and all allowances which are normally considered as pay.

19 The standstill will not apply to increases in pay resulting directly from extra effort or output under existing arrangements, eg increases in piece work earnings stemming from increased output, commissions on sales, or necessary increases in overtime. Nor will it apply to increases arising from genuine promotion;
to cases where under existing arrangements the rate of pay is expressed in terms of a predetermined incremental range or scale; or of course to direct reimbursement of expenditure incurred, eg travel and subsistence allowances.

Existing Agreements

20 In all cases where a settlement was reached before November, and the operative date of the increase was on or before that date, the increase can be implemented.

21 However there will be some agreements made before November which provide for specified increases in pay or improvements in other conditions to take effect from an operative date falling within the period of the standstill. The operative date of such increases will be deferred until the standstill comes to an end. This requirement applies, inter alia, to any increases which may fall due during the standstill under existing cost of living sliding scale arrangements. Accordingly the Bill protects employers from any liability for breach of their contractual obligations under these agreements until the end of the standstill.

Wages Councils and Boards

22 Proposals from Wages Councils and Boards made on or before November but not yet submitted to the Minister or embodied in a statutory order may also be implemented if the previous order was made twelve months before that date.

Arbitration Awards

23 Arbitration awards may be implemented during the standstill if the relevant hearings were completed on or before November and the operative date was not later than that date.
Negotiations during Standstill

24 If negotiations or arbitrations take place during the standstill any increase resulting from an agreement must not take effect before the end of the standstill period and will in any case be subject to the policy which is then in operation.

Other Employment Incomes

25 Many individual salaries and other forms of remuneration are not determined through collective bargaining. The standstill will apply to these forms of employment income. It will apply also to charges and fees (including all forms of professional fees) for services by self-employed persons.

Deferred Increases

26 Where pay increases or improvements in conditions negotiated or submitted to arbitration before the standstill are deferred until the end of the standstill:-

i. if the original operative date was after 7 November 1972, the increase or improvement will take effect from the end of the standstill

ii. if the original operative date was earlier than 8 November 1972, the increase will take effect from the end of the standstill and any increase relating to the period ended 7 November 1972 will be paid

DIVIDENDS

27 The standstill will apply to the declaration or payment of dividends by companies incorporated in the United Kingdom. During the
standstill period companies will be required to keep their dividend payments (whether final or interim) at a level which is not in excess of that paid in the corresponding payment in the same calendar period a year ago. This will apply equally to dividends declared before and after £ November, if they are to be paid during the standstill. Because of their special character the standstill will not be applied to investment trusts or to certain companies such as close companies to the extent that they increase distributions in order to comply with the special tax rules. The Treasury will be issuing further explanatory guidance to assist companies.

THE POWERS

28 In support of the standstill, the Bill will give Ministers powers to make orders or issue notices directing that incomes or prices and charges should not exceed the levels prevailing before £ November. This will enable unjustified increases which take place during the standstill period to be reversed. It is the Government's intention that before making a direction the Minister would normally give £ days advance notice to the person affected and would consider any representations made within that time. The direction would not be retrospective. The Bill will also provide for fines in cases where an individual or firm fails to comply with a direction to reduce incomes, prices, charges or dividends and where a trades union, employers association or other person takes industrial action designed to force an increase to be made which would be contrary to the standstill.
For the reason explained in the tripartite talks, it is not possible to control rigidly the price of unprocessed agricultural produce such as fruit, vegetables, meat and fish. These prices are volatile because the supply situation, both in the UK and in world commodity markets, varies widely at different seasons and because prices are often fixed by auctions or similar market processes. The Ministry of Agriculture will keep in close touch with the relevant trades and distributors and ensure that the undertakings the latter have given in the context of the tripartite talks not only on these fresh foods but on other foods are observed in the standstill.

The prices of certain raw materials other than food which are determined in world commodity markets are also volatile. But these do not affect consumer prices directly. These are listed in paragraph below.

Enterprises whose prices are increased as a direct result of fluctuations in the prices of these products will not be expected to obtain specific consent for such increases.

Distributors will not need to apply for consent if consent has already been obtained by a manufacturer or by some other enterprise handling the product at an earlier stage. In considering an application from a distributor, Departments will not wish to interfere with the normal and beneficial practice of making temporary reductions in prices.

List of raw materials
The Bill will give the Ministers concerned discretion to defer the effective dates of wages regulation orders made under the Wages Councils Act and the Agricultural Wages Act. It will also protect from legal proceedings employers who, in conformity with the standstill, withhold pay increases to which an employee is entitled under his contract of employment.

The Bill will enable orders or notices to be made to prohibit a company from declaring or paying a dividend higher than the dividend paid in the corresponding period in the previous year. The Bill will provide powers to make orders to prevent increases in rents above that payable on or before 1st November.
CABINET

INFLATION (TEMPORARY PROVISIONS) BILL

Note by the Secretary of State for the Home Department and Lord President of the Council

1. I was asked to co-ordinate the preparation of this Bill. (The latest print is annexed). When considering it my colleagues may find the following brief explanation of some difficult aspects helpful.

2. In essence, the standstill provides a simple and draconian method of buying time to implement our longer-term policy.

3. We believe the standstill will work most effectively if people are asked to implement it voluntarily. But they will only do so if they are convinced that others will. The Bill accordingly confers powers to make orders or notices prohibiting increases in contravention of the standstill. But we must still rely mainly on the force of public opinion.

4. If the Bill is too complicated it will in my judgment attract much less public support than a simple, easily understood measure. We must therefore be prepared to accept that there will be some hard cases and some which slip through the net. But it is important that there are not too many striking and well-reported breaches of the standstill.

5. The public will, however, expect the standstill to cover dividends and rents as well as prices and incomes. If it does not do so much public support will be lost.

RENTS

6. Provision for rents does, however, present some difficulties. In particular, Clause 3, which is deliberately drafted very simply, is wide enough to allow the Secretary of State to order local authorities, in effect, to continue defaulting on the housing financial legislation. Naturally he would not use his power in this way. It is stated clearly in paragraph 13 of the draft White Paper that the standstill will not relieve these recalcitrant authorities of their obligations.
AUTHORISATION OF BREACHES OF AGREEMENTS

7. My colleagues will wish to give especial consideration to Clause 4. The Clause is intended to authorise breaches of contracts made before the standstill but due to be implemented during it (including staged agreements). But it is proposed to permit increments (eg public service increments) and "merit increases" on a predetermined incremental range of scale. The distinction is a real but fine one and very difficult for the public to understand. We must be careful to avoid the charge that we are giving an unfair advantage to anyone, particularly to Crown servants. If my colleagues decide that implementation of any prior agreements is to be caught by the standstill, Clause 4 would ensure that an employer who was prepared to observe the standstill voluntarily was not legally prevented from doing so. Without such a provision, orders or notices would have to be issued in every case. That is said by the Treasury and the Department of Employment to be administratively impracticable. I am concerned, however, about the effect of such a provision on our industrial relations policy, the cornerstone of which has been that agreements once made should be honoured. Many of our supporters would strongly oppose a Clause encouraging employers to break agreements. I am not sure how many employers would take advantage of it, in view of the risks of doing so to their industrial relations. Despite the administrative difficulties, I therefore consider on balance that the Government should take responsibility for any necessary breaking of agreements by making orders or notices. I therefore conclude that the balance of advantage lies in deleting Clause 4. While I recognise that trade union opposition would be aroused if we did not permit public service or other increments in the standstill period, I believe we would find it very difficult to permit them if we retained this Clause.

PENALTIES

8. In an earlier draft of the Bill provision was made that a warrant should not be issued for imprisonment unless the court was satisfied that no other means of enforcing a fine was available. I am advised, however, that under the existing laws (as amended in the Criminal Justice Act 1967) there are substantial restrictions on the powers of a court to commit an offender to prison for non-payment of a fine imposed for an offence not punishable with imprisonment; and none of the Bill offences is punishable with imprisonment. The court can order imprisonment for non-payment only if they have considered or tried all other methods of enforcing payment and it appears to the court that they are inappropriate or unsuccessful. The provision in the earlier draft has therefore now been deleted.

THE SCHEDULE TO THE BILL

9. This contains a number of provisions which are summarised in the Annex to this paper. Some of them will involve the need for orders immediately after the passage of this Bill. Some of the powers are sweeping and we may be criticised for providing for them by order and not in the Bill itself. But I believe the objective of keeping the Bill as short and simple as possible is right.

Privy Council Office
3 November 1972

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NOTES ON THE SCHEDULE

Paragraph

1. This paragraph provides very wide powers concerning the provisions which may be contained in orders or notices. The purpose of the paragraph is to ensure that all necessary provisions can be made in orders. It avoids setting them out at length in the Bill itself. Without this paragraph the provisions could not be included in the orders.

2. This paragraph provides power to prescribe what the legal consequences for contracts, leases and other transactions are where they are affected by the restrictions imposed by Clauses 1 and 2. For example, to enable a person overcharged to recover an excess; or to prevent a revival of a right to the excess payment after the end of the standstill. The paragraph would also enable an order to include provisions to ensure that pay increases prohibited during the standstill should not be paid afterwards or be unlawfully exacted, e.g. by strike action. Without this paragraph there would be considerable uncertainty as to the effect of the standstill in matters of this kind.

3. This paragraph ensures that the standstill overrides other legislation which regulates wages, prices, charges, etc. In particular, it would enable the recent award of the Agricultural Wages Board to be overridden. It is a very far-reaching provision.

4. This paragraph contains necessary powers to amend or revoke orders already made.

5. This paragraph provides for orders to be subject to the negative resolution procedure.

6. This enables regulations to be made about the giving of notices.

7. This would enable an order to be made with the effect of prohibiting increases of pay for Crown servants and would make them liable to penalties in the event of industrial action and deprive them of any right to sue for withheld increases.
DRAFT OF A BILL

To authorise measures to meet inflation.

CCCXXXIX—B (3)

3rd November, 1972

6—2 (381519) 45/3
ARRANGEMENT OF CLAUSES

Clause
1. Duration of sections 2 and 3.
2. Prices, pay and dividends.
3. Rents.
4. Authority for employers to disregard pay increases in existing contracts.
5. Power to obtain information.
6. Offences.
7. Consents required for prosecutions.
8. Application to Scotland.
9. Application to Northern Ireland.
10. Interpretation.
11. Administrative expenses.
12. Short title and supplemental provisions.

SCHEDULE—Supplemental provisions.

SECRET

Inflation (Temporary Provisions) Bill

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SECRET

Inflation (Temporary Provisions)

DRAFT
OF A
BILL

TO
Authorise measures to meet inflation.

A.D. 1972

BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

5 1.—(1) Subject to the provisions of this Act, sections 2 and 3 of this Act shall cease to have effect at the expiration of a period of ninety days beginning with the date on which this Act is passed.

(2) Her Majesty may by Order in Council made not later than thirty days before the date on which the said sections 2 and 3 would otherwise cease to have effect, substitute for the ninety days mentioned in subsection (1) above such longer period, not exceeding one hundred and fifty days, as may be specified in the Order.

15 (3) An Order in Council under subsection (2) above shall cease to have effect at the expiration of a period of twenty-eight days beginning with the date on which it is made, unless before the end of that period the Order has been approved by a resolution of each House of Parliament.

20 2.—(1) Prices or charges to which this section applies, and Prices, pay which are for transactions effected by a person at a time when this section applies to the prices or charges, shall not exceed the prices or charges for transactions of the same description effected by the same person in the course of business before 6th November 1972.

6-2

SECRET
2

Inflation (Temporary Provisions)

(2) An employer shall not pay remuneration to which this section applies for work for any period during which this section applies to the remuneration at a rate which exceeds the rate of remuneration paid by him for the same kind of work before 6th November 1972.

(3) A company to which this section applies shall not declare an ordinary dividend which exceeds the corresponding ordinary dividend declared by that company in the previous calendar year, and shall not declare an ordinary dividend which does not correspond to any ordinary dividend declared in the previous calendar year.

(4) The appropriate Minister may apply this section—

(a) to any prices for the sale of goods, and to any charges for the performance of services, including charges for the application of any process to goods, being prices or charges in the course of business, and

(b) to remuneration under contracts of employment for any kind of work to be performed wholly or substantially within the United Kingdom, or on British ships or aircraft, and

(c) to companies incorporated under the law of the United Kingdom.

(5) The power conferred by subsection (4) above shall be exercisable by order, or by notice given to the person, or each of the persons, to whom this section is to apply.

(6) There is no contravention of this section if what has been done is authorised by the order or notice applying this section, or by the consent of a Minister given in writing.

3. The appropriate Minister may by order provide for preventing increases of rent over rent payable before 6th November 1972.

4.—(1) This section applies to any contract of employment made before the date of the passing of this Act under which any person who has worked for the employer since before that date is to receive remuneration for the same kind of work for any period from or after that date which is at a higher rate than that at which he was being remunerated for work of that kind immediately before that date.

(2) If, after having given not less than one week's notice in writing, the employer pays or tenders to the employee remuneration for work for any period after the said date, and
while section 2 of this Act is in force, at a rate which is not less than that at which he was paid for the same kind of work immediately before that date, the employer shall not be liable in respect of a breach of a contract to which this section applies for failure to pay remuneration at the rate provided by the contract.

3) Subsection (2) above shall not take away the employee's right to rescind the contract.

(4) This section shall not apply to a contract for work to be performed wholly or mainly outside the United Kingdom.

5.—(1) The appropriate Minister may for the purposes of this Power Act by notice require any person to furnish to the appropriate Minister such estimates, returns or other information as may be specified or described in the notice, and may in the notice specify the time, the manner and the form in which any such estimates, returns or information are to be furnished.

(2) No person shall be compelled, in complying with any such notice, to give any information which he could not be compelled to give in evidence in proceedings before the High Court.

20 6.—(1) If a person contravenes any of the provisions of Offences, section 2 of this Act he shall be liable—
(a) on summary conviction to a fine not exceeding £400,
and
(b) on conviction on indictment to a fine.

(2) If an organisation of workers or organisation of employers, or any other organisation or person, takes, or threatens to take, any action with a view to compel, induce or influence a person to contravene any of the provisions of section 1 of this Act, he shall be liable—
(a) on summary conviction to a fine not exceeding £400,
and
(b) on conviction on indictment to a fine.

(3) A person who—
(a) refuses or wilfully neglects to furnish any estimate, return or other information required of him by a notice under section 5 of this Act, or
(b) in furnishing any such estimate, return or other information makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular,
shall be liable on summary conviction to a fine not exceeding £50.
(4) Where an offence is alleged to have been committed under this Act by an organisation of workers or organisation of employers, or by any other organisation, being an unincorporated body—

(a) proceedings for the offence shall be brought in the name of that body (and not in that of any of its members),

(b) for the purpose of any such proceedings any rules of court relating to the service of documents shall have effect as if that body were a corporation, and

(c) any fine imposed on conviction shall be payable out of the funds of that body.

(5) Where an offence mentioned in subsection (4) above is an offence punishable on conviction on indictment, section 33 of the Criminal Justice Act 1925 and Schedule 2 to the Magistrates' Courts Act 1952, shall have effect as if the said body were a corporation.

(6) Where an offence under this Act committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of this offence and shall be liable to be proceeded against and punished accordingly. In this subsection “director”, in relation to any body corporate which is established by or under any enactment for the purpose of carrying on as a public authority any industry or part of an industry or undertaking, and whose affairs are managed by the members thereof, means a member of that body corporate.

(7) Nothing in this section, or in any other provision of this Act, shall give rise to any criminal or tortious liability for conspiracy, to any other liability in tort (or to any liability under the Industrial Relations Act 1971 in respect of an unfair industrial practice).

Consents required for prosecutions.

7.—(1) Proceedings for an offence under this Act shall not be instituted in England or Wales except by or with the consent of the Attorney General.

(2) This section shall not prevent the issue or execution of a warrant for the arrest of any person in respect of an offence, or the remanding in custody or on bail of any person charged with an offence.
8.—(1) This Act in its application to Scotland shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the Court of Session.

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(3) In relation to any proceedings on indictment for an offence alleged to have been committed under this Act by a body such as is mentioned in section 64 of this Act, section 40 of the Criminal Justice (Scotland) Act 1949 (proceedings on indictment against bodies corporate) shall have effect as if the said body were a body corporate.

(4) Section 67 above shall not apply except in relation to any unfair industrial practice, but, where any act is prohibited by subsection (2) of that section, the fact that it is so prohibited shall be treated as irrelevant for the purposes of any civil proceedings.

(5) For any reference to the Hire-Purchase Act 1965 there shall be substituted a reference to the Hire-Purchase (Scotland) Act 1965.

9.—(1) It is hereby declared that this Act extends to Northern Ireland, and in the application of this section to Northern Ireland it shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the High Court in Northern Ireland.

(3) Where an offence mentioned in section 64 of this Act is an offence punishable on conviction on indictment, section 18 of the Criminal Justice Act (Northern Ireland) 1945 and Schedule 5 to the Magistrates' Courts Act (Northern Ireland) (N.I.) 1964 (procedure on charge of an offence against a corporation) shall have effect as if the body there mentioned were a corporation.

(4) Proceedings for an offence under this Act shall not be instituted in Northern Ireland except by or with the consent of the Attorney General for Northern Ireland, but this subsection shall not prevent the issue or execution of a warrant for the arrest of any person in respect of an offence, or the remanding in custody or on bail of any person charged with an offence.

10.—(1) In this Act, unless the context otherwise requires—

“appropriate Minister” means the Treasury, the Secretary of State or the Minister of Agriculture, Fisheries and Food;

“business” in the expression “in the course of business” includes any trade, profession or vocation;
“employee” means an individual who has entered into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise, be expressed or implied, oral or in writing, and whether it be a contract of service or of apprenticeship; and cognate expressions shall be construed accordingly;

“goods” includes ships and aircraft, minerals, substances and animals (including fish);

“Minister” has the same meaning as “Minister of the Crown” in the Ministers of the Crown (Transfer of Functions) Act 1946;

“organisation of workers” and “organisation of employers” have the meanings given by sections 61(1) and 62(1) of the Industrial Relations Act 1971;

“price” includes a charge of any description.

(2) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed as a reference to that enactment as amended or applied by or under any other enactment, including this Act.

(3) This Act shall apply in relation to—
   (a) a conditional sale agreement, and
   (b) a hire-purchase agreement,
   as if the agreement were a sale of the goods to which the agreement relates for an amount equal to the total purchase price or hire-purchase price with a fair reduction where the consideration for receipt of that price includes the installation, maintenance or repair of the goods or the performance of other services apart from the giving of credit.

This subsection shall be construed in accordance with the Hire-Purchase Act 1965.

Any administrative expenses incurred by a government department in consequence of the provisions of this Act shall be paid out of money provided by Parliament.

This Act may be cited as the Inflation (Temporary Provisions) Act 1972.

(2) The Schedule to this Act shall have effect for supplementing this Act.
SCHEDULE

Supplemental Provisions

Contents of orders and notices under sections 2 and 3

1.—(1) An order or notice under section 2 or section 3 of this Act may be framed in any way whatsoever, may prescribe any method of comparing prices, charges, rates of remuneration, dividends or rents, and may define any expression used in those sections (other than an expression defined by section 10 of this Act).

(2) Any such order or notice concerning remuneration may take account of any terms or conditions of employment, and may determine whether remuneration becoming payable after the period for which it is payable is to be taken into account in making any comparison.

(3) Any such order concerning dividends or rents may contain any kind of supplemental or incidental provisions, including provisions creating criminal offences, and, in the case of an order concerning rents, provisions for the recovery of rent overpaid.

(4) Any transitional provisions included in an order made in pursuance of sub-paragraph (3) above shall, if the order so provides, continue in force after sections 2 and 3 of this Act cease to have effect.

Validity of transactions

2.—(1) The appropriate Minister may by order prescribe the degree to which anything affected by section 2 of this Act is to be invalid either at the time when section 2 of this Act is in force, or later.

(2) Where in accordance with any such order a contract to pay any remuneration remains invalid after the said time the order may further provide that the provisions of section 6 of this Act shall continue to apply in relation to the implementation of the contract as if section 2 of this Act was still in force.

Consequences of expiration of sections 2 and 3 of this Act

3. On the expiration of sections 2 and 3 of this Act, section 38(2) of the Interpretation Act 1889 (effect of repeals) shall apply as if 1889 c. 63, those sections had been repealed by another Act.

Legislation passed before this Act

4.—(1) This Act, and any provision made under this Act, shall have effect notwithstanding anything in any other Act or statutory provision.

(2) The appropriate Minister may by order provide that any Act passed before this Act, or any provision having effect under any such Act, which relates to prices, charges, remuneration, dividends or rent shall, while sections 2 and 3 of this Act are in force, have effect subject to such exceptions, modifications or adaptations as may be specified in the order.
Variation of orders and notices

5.—(1) An order made or notice given under this Act may be varied or revoked by subsequent order or notice so made or given.

(2) The variation or revocation of the order or notice shall not affect liability for any offence committed before the variation or revocation takes effect.

Parliamentary control of orders

6. An order under this Act shall be contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

Giving of notices

7. The appropriate Minister may by regulations in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament prescribe the manner in which any notice is to be given under this Act, and the evidence which is to be sufficient evidence of its having been given.

Crown servants

8.—(1) Although this Act does not bind the Crown, an order may be made under this Act so as, without imposing any obligation on the Crown as an employer or otherwise, to apply (either expressed or impliedly) to persons employed by or under the Crown, and section 6(2) of this Act shall apply accordingly.

(2) For the purposes of this Act employment by any such body as is specified in Schedule 3 to the Redundancy Payments Act 1965 (national health service employers) shall (if it would not otherwise be so regarded) be regarded as employment by or under the Crown.

(3) In the application of this paragraph to Northern Ireland references to the Crown include references to the Crown in right of the Government of Northern Ireland.
1. I circulate herewith, for the information of the Cabinet, proof copies of the White Paper comprising the draft Bill and the accompanying White Paper explaining the main issues of policy involved, in the form in which they will be published this afternoon concurrently with the Prime Minister's statement.

2. Since it was essential to have the Bill and the White Paper ready for printing by noon on Sunday, the Ministers principally concerned met during Saturday in order to consider the final texts. There is one development which I should report to the Cabinet. At our meeting last Friday we decided to delete the Clause dealing with the treatment of Existing Contracts of Employment. When we went into the matter more fully on Saturday we found that it was essential to the whole operation of the standstill to include a Clause which dealt with this matter. We have found a means of doing this, in the new Clause 3, without, I believe, the embarrassment of the earlier version.

3. For reasons which I am sure my colleagues will understand, it was not possible to clear this with all members of the Cabinet; but it has the concurrence of the Prime Minister and the Ministers directly concerned.
A Programme for Controlling Inflation: The First Stage

A DRAFT BILL

Presented to Parliament by the Chancellor of the Exchequer by Command of Her Majesty
November 1972

LONDON
HER MAJESTY'S STATIONERY OFFICE

Cmnd. 5200
EXPLANATORY MEMORANDUM

The Bill empowers the Government to apply a standstill in prices, charges for services, pay, dividends and rents by forbidding any increase above the level prevailing before 6th November or, in the case of dividends, by forbidding the declaration of a dividend in excess of a corresponding dividend declared in the previous calendar year. The Bill would enable the implementation of the policy outlined in the White Paper “A Programme for Controlling Inflation: the First Stage” (Cmnd. 5125).

Clause 1 provides that the standstill is to end at the expiration of ninety days from the passing of the Bill unless an Order in Council is made extending the period by a further period, not exceeding sixty days.

Clause 2 enables the appropriate Minister by order or notice to apply the standstill to any prices for the sale of goods, charges for the performance of services, remuneration under contracts of employment, dividends declared by companies incorporated in the United Kingdom and rents. Provision is made for authorising what would otherwise be a contravention of the standstill if the order or notice so provides or a Minister gives his consent.

Clause 3 modifies the terms of certain contracts made before 6th November which provide for increases in remuneration during the standstill. The effect of the modification is that the rate of remuneration payable during the standstill is not to exceed the highest rate payable under the contract (for the same kind of work) before 6th November.

Clause 4 enables Ministers to require the furnishing of information and Clause 5 makes provision as respects offences under the Bill.

The Schedule contains provisions supplementing the main clauses.

Paragraph 1 describes the ancillary matters for which an order or notice under Clause 2 may provide.

Paragraph 2 empowers the appropriate Minister by order to prescribe the extent to which anything affected by Clause 2 is to be invalid either during or after the continuance in force of that clause.
Paragraph 4 provides that the Bill and any provision made under the Bill is to prevail over any conflicting enactment; it also empowers the appropriate Minister by order to provide that any existing enactment relating to prices, charges, remuneration, dividends or rents shall, while Clause 2 is in force, have effect subject to such modifications as may be specified in the order.

Paragraph 6 requires orders under the Bill to be contained in a statutory instrument subject to annulment by either House of Parliament.

Paragraph 8 contains provisions as respects Crown servants.

Financial Effects of the Bill

The additional cost to departments arising directly under the provisions of the Bill will be marginal.

Effects of the Bill on Public Service Manpower

So far as can be anticipated the effect of the Bill on public service manpower is likely to be minimal.
ARRANGEMENT OF CLAUSES

Clause
1. Duration of section 2.
2. Prices, pay, dividends and rents.
3. Existing contracts of employment: modification while section 2 is in force.
4. Power to obtain information.
5. Offences.
6. Application to Scotland.
7. Application to Northern Ireland.
8. Interpretation.
9. Administrative expenses.
10. Short title and supplemental provisions.

SCHEDULE—Supplemental provisions.
BE IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

5 1.—(1) Subject to the provisions of this Act, section 2 of Duration of this Act shall cease to have effect at the expiration of a period of ninety days beginning with the date on which this Act is passed.

(2) Her Majesty may by Order in Council made not later than thirty days before the date on which the said section 2 would otherwise cease to have effect, substitute for the ninety days mentioned in subsection (1) above such longer period, not exceeding one hundred and fifty days, as may be specified in the Order.

15 (3) An Order in Council under subsection (2) above shall cease to have effect at the expiration of a period of twenty-eight days beginning with the date on which it is made, unless before the end of that period the Order has been approved by a resolution of each House of Parliament.

20 2.—(1) Prices or charges to which this section applies, and Prices, pay, dividends and rents, which are for transactions effected by a person at a time when this section applies to the prices or charges, shall not exceed the prices or charges for transactions of the same description effected by the same person in the course of business before 6th November 1972.

A.D. 1972
(2) An employer shall not pay remuneration to which this section applies for work for any period during which this section applies to the remuneration at a rate which exceeds the rate of remuneration paid by him for the same kind of work before 6th November 1972.

(3) A company to which this section applies shall not declare an ordinary dividend which exceeds the corresponding ordinary dividend declared by that company in the previous calendar year, and shall not declare an ordinary dividend which does not correspond to any ordinary dividend declared in the previous 10 calendar year.

(4) The appropriate Minister may by order provide for preventing increases of rent over rent payable before 6th November 1972.

(5) The appropriate Minister may apply this section—

(a) to any prices for the sale of goods, and to any charges for the performance of services, including charges for the application of any process to goods, being prices or charges in the course of business, and

(b) to remuneration under contracts of employment for any kind of work to be performed wholly or substantially within the United Kingdom, or on British ships or aircraft, and

(c) to companies incorporated under the law of the United Kingdom,

and where subsection (1) of this section as applied to any prices or charges, is contravened, the liability for the contravention attaches to the person selling the goods or performing the services.

(6) The power conferred by subsection (5) above shall be exercisable by order, or by notice given to the person, or each of the persons, to whom this section is to apply.

(7) There is no contravention of subsections (1), (2) or (3) of this section if what has been done is authorised by the order or notice applying this section, or by the consent of a Minister given in writing.

3.—(1) The terms of any agreement which was entered into by an employer and an employee before 6th November 1972, and which governs the rate of remuneration both for work before that date and for work when section 2 of this Act is in force, shall be modified in accordance with subsection (2) below.

(2) The rate at which remuneration is payable under the agreement to the employee for work for any period when section
2. of this Act is in force shall not exceed the highest rate at which
remuneration was payable under the agreement to him for the
same kind of work before 6th November 1972.

(3) This section shall not apply to an increase in remuneration
which is in respect of age, or length of service, or length of service
in employment of a particular kind, or in employment in a
particular grade.

(4) This section shall not apply to remuneration for work
other than work to be performed wholly or substantially within
the United Kingdom or on British ships or aircraft.

4.—(1) The appropriate Minister may for the purposes of this
Act by notice require any person engaged or employed in any
business, or any organisation of employers, or any officer of an
organisation of employers—

(a) to furnish to the appropriate Minister such estimates,
returns or other information as may be specified or
described in the notice, or

(b) to produce to an officer of the appropriate Minister,
duly authorised for the purpose, any documents so
specified or described,

and may in the notice specify the way in which the notice is
to be complied with and, in the case of a notice relating to
documents, the facilities to be afforded for making extracts
from, or taking copies of, the documents.

(2) No person shall be compelled, in complying with any such
notice, to give any information which he could not be compelled
to give in evidence in proceedings before the High Court.

5.—(1) If a person contravenes any of the provisions of
section 2 of this Act he shall be liable—

(a) on summary conviction to a fine not exceeding £400,
and

(b) on conviction on indictment to a fine.

(2) If an organisation of workers or organisation of employers,
or any other organisation or person, takes, or threatens to take,
any action with a view to compel, induce or influence a person
to contravene any of the provisions of section 2 of this Act, he
shall be liable—

(a) on summary conviction to a fine not exceeding £400,
and

(b) on conviction on indictment to a fine.

(3) A person who—

(a) refuses or wilfully neglects to comply with a notice
under section 4 of this Act, or
(b) in furnishing any estimate, return or other information in compliance with such a notice makes any statement which he knows to be false in a material particular, or recklessly makes any statement which is false in a material particular, or

(c) with intent to deceive, produces in compliance with such a notice a document which is false in a material particular,

shall be liable on summary conviction to a fine not exceeding £100.

(4) Where an offence is alleged to have been committed under this Act by an organisation of workers or organisation of employers, or by any other organisation, being an unincorporated body—

(a) proceedings for the offence shall be brought in the name of that body (and not in that of any of its members),

(b) for the purpose of any such proceedings any rules of court relating to the service of documents shall have effect as if that body were a corporation, and

(c) any fine imposed on conviction shall be payable out of the funds of that body.

(5) Where an offence mentioned in subsection (4) above is an offence punishable on conviction on indictment, section 33 of the Criminal Justice Act 1925 and Schedule 2 to the Magistrates’ Courts Act 1952, shall have effect as if the said body were a corporation.

(6) Where an offence under this Act committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, any director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate shall be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

(7) Nothing in this section shall apply to a contravention of section 2(4) of this Act.

(8) Nothing contained in or made under this Act, and nothing made illegal by this section, shall give rise to any criminal or tortious liability for conspiracy, to any other liability in tort or to any liability under the Industrial Relations Act 1971 in respect of an unfair industrial practice.

(9) Proceedings for an offence under this Act shall not be instituted in England or Wales except by or with the consent of the Attorney General.
6.—(1) This Act in its application to Scotland shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the Court of Session.

(3) In relation to any proceedings on indictment for an offence alleged to have been committed under this Act by a body such as is mentioned in section 5(4) of this Act, section 40 of the Criminal Justice (Scotland) Act 1949 (proceedings on indictment against bodies corporate) shall have effect as if the said body were a body corporate.

(4) Section 5(8) above shall not apply except in relation to any unfair industrial practice but, where any act is prohibited by subsection (2) of that section, or by or under any other provision of this Act, the fact that it is so prohibited shall be treated as irrelevant for the purposes of any civil proceedings.

(5) For any reference to the Hire-Purchase Act 1965 there shall be substituted a reference to the Hire-Purchase (Scotland) Act 1965.

7.—(1) It is hereby declared that this Act extends to Northern Ireland, and in the application of this section to Northern Ireland it shall have effect subject to the provisions of this section.

(2) For any reference to the High Court there shall be substituted a reference to the High Court in Northern Ireland.

(3) Where an offence mentioned in section 5(4) of this Act is an offence punishable on conviction on indictment, section 18 of the Criminal Justice Act (Northern Ireland) 1945 and Schedule 5 to the Magistrates' Courts Act (Northern Ireland) 1964 (procedure on charge of an offence against a corporation) shall have effect as if the body there mentioned were a corporation.

(4) Proceedings for an offence under this Act shall not be instituted in Northern Ireland except by or with the consent of the Attorney General for Northern Ireland.

8.—(1) In this Act, unless the context otherwise requires—

"the appropriate Minister" means the Treasury, the Secretary of State or the Minister of Agriculture, Fisheries and Food;

"business" includes any trade, profession or vocation, and the expression "in the course of business" shall be construed accordingly;

Interpretation.
“employee” means an individual who has entered into or works under a contract with an employer, whether the contract be for manual labour, clerical work or otherwise, be expressed or implied, oral or in writing, and whether it be a contract of service or of apprenticeship; and cognate expressions shall be construed accordingly;

“goods” includes ships and aircraft, minerals, substances and animals (including fish);

“organisation of workers” and “organisation of employers” have the meanings given by sections 61(1) and 62(1) of the Industrial Relations Act 1971;

“price” includes a charge of any description.

(2) Any reference in this Act to an offence under this Act includes a reference to an offence under an order made under this Act.

(3) Any reference in this Act to any other enactment shall, except so far as the context otherwise requires, be construed as a reference to that enactment as amended or applied by or under any other enactment, including this Act.

(4) This Act shall apply in relation to—

(a) a conditional sale agreement, and

(b) a hire-purchase agreement,

as if the agreement were a sale of the goods to which the agreement relates for an amount equal to the total purchase price or hire-purchase price, with a fair reduction where the consideration for receipt of that price includes the installation, maintenance or repair of the goods or the performance of other services apart from the giving of credit.

This subsection shall be construed in accordance with the Hire-purchase Act 1965.

9. Any administrative expenses incurred by a government department in consequence of the provisions of this Act shall be paid out of money provided by Parliament.

10.—(1) This Act may be cited as the Inflation (Temporary Provisions) Act 1972.

(2) The Schedule to this Act shall have effect for supplementing this Act.
SCHEDULE

SUPPLEMENTAL PROVISIONS

Contents of orders and notices under section 2

1.—(1) An order or notice under section 2 of this Act may be framed in any way whatsoever, may prescribe any method of comparing prices, charges, rates of remuneration, dividends or rents, and may define any expression used in those sections (other than an expression defined by section 8 of this Act).

(2) Any such order or notice concerning remuneration may take account of any terms or conditions of employment, and may determine whether remuneration becoming payable after the period for which it is payable is to be taken into account in making any comparison.

(3) Any such order concerning dividends or rents (as defined in the order) may contain any kind of supplemental or incidental provisions, including provisions creating criminal offences, and, in the case of an order concerning rents, provisions for the recovery of rent overpaid.

(4) Any provisions made in pursuance of sub-paragraph (3) above shall, if the order so provides, continue in force after section 2 of this Act ceases to have effect.

Validity of transactions

2.—(1) The appropriate Minister may by order prescribe the degree to which anything made illegal by section 2 of this Act, or by an order under this Act, is to be invalid either at the time when section 2 of this Act is in force, or later.

(2) Where in accordance with an order made under this paragraph a contract to pay any remuneration remains invalid after the said time, the order may further provide that the provisions of section 5 of this Act shall continue to apply in relation to the implementation of the contract as if section 2 of this Act was still in force.

Consequences of expiration of section 2

3. On the expiration of section 2 of this Act, section 38(2) of the Interpretation Act 1889 (effect of repeals) shall apply as if those sections had been repealed by another Act.

Legislation passed before this Act

4.—(1) This Act, and any provision made under this Act, shall have effect notwithstanding anything in any other Act or statutory provision passed or made before this Act.

(2) The appropriate Minister may by order provide that any Act passed before this Act, or any provision having effect under any such Act, which relates to prices, charges, remuneration, dividends or
rents shall, while section 2 of this Act is in force, have effect subject to such exceptions, modifications or adaptations as may be specified in the order.

Variation of orders and notices

5.—(1) An order made or notice given under this Act may be varied or revoked by a subsequent order or notice so made or given.

(2) The variation or revocation of the order or notice shall not affect liability for any offence committed before the variation or revocation takes effect.

Parliamentary control of orders

6. An order under this Act shall be contained in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament.

Giving of notices

7. The appropriate Minister may by regulations in a statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament prescribe the manner in which any notice is to be given under this Act, and the evidence which is to be sufficient evidence of its having been given.

Crown servants

8.—(1) Although this Act does not bind the Crown, an order may be made under this Act so as, without imposing any obligation on the Crown as an employer or otherwise, to apply (either expressly or impliedly) to persons employed by or under the Crown, and section 5(2) of this Act shall apply accordingly.

(2) Section 3 of this Act shall apply, where a person employed by or under the Crown has any enforceable claim to remuneration for that employment, as it applies in the case of an employee of a private person.

(3) For the purposes of this Act employment by any such body as is specified in Schedule 3 to the Redundancy Payments Act 1965 (national health service employers) shall (if it would not otherwise be so regarded) be regarded as employment by or under the Crown.

(4) In the application of this paragraph to Northern Ireland references to the Crown include references to the Crown in right of the Government of Northern Ireland.

1965 c. 62.
A Programme for Controlling Inflation: The First Stage

Presented to Parliament by the Chancellor of the Exchequer by Command of Her Majesty
November 1972

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A PROGRAMME FOR CONTROLLING INFLATION:

THE FIRST STAGE

1. Since July the Government has had a series of meetings with the CBI and the TUC on the objectives of economic management and on the methods by which those objectives should be pursued over the next 12 months. The agreed objectives were: faster growth in national output and real incomes, an improvement in the relative position of the low paid and moderation in the rate of cost and price inflation. The Government put forward proposals for achieving these objectives on 26th September, but it became clear on 2nd November that it was not possible to reach agreement.

2. The Prime Minister announced in a statement to the House of Commons on 6th November that the Government had concluded that it was necessary, in the absence of agreement, to bring in statutory measures and that, because the main legislation would take time, there would be a standstill for an interim period on increases in prices, rents, dividends and pay with immediate effect. An interim Bill, the draft text of which is being published as a separate White Paper (Cmnd. 5200), will be introduced to give Ministers power to enforce the standstill. The Bill will provide that these powers should run for 90 days from enactment in the first instance but that they can be extended by affirmative resolution order for up to a further 60 days to ensure that the standstill lasts until the main legislation receives the Royal Assent. This White Paper describes how the standstill is to be applied during this interim period.

Prices and Charges

3. The standstill applies to prices and charges for goods and services supplied to the home market whether provided by the private or the public sector. Increases which have been announced but not implemented before the standstill should not take place.

4. The Government recognises that the imposition of a standstill will present problems for some enterprises, notably for those members of the CBI and the nationalised industries which have already observed a 15-month period of price restraint. However, enterprises will be required to absorb cost increases to the maximum extent possible. Cost reduction should be fully reflected in prices.

5. Enterprises which consider that their costs (either import costs or domestic costs) have risen so far that it is impracticable for them to be absorbed will need to submit details of proposed price increases to the relevant Government Department and obtain its consent, or run the risk of having price increases reversed by notice or order under the interim legislation. Such proposals will be strictly scrutinised. Agreement will not normally be given except where increased costs cannot be absorbed by increased productivity or a temporary reduction in profit margin; such exceptions will generally be confined to cases where raw materials or raw agricultural produce account for a high proportion of total costs.
6. Wholesalers and retailers are expected to do everything possible to avoid any increases in prices; in particular they should not increase their cash margins during the standstill. They will not be required to apply to Departments before changing prices for goods for which they have had to pay more. But they are not on that account exempted from the principles of the standstill and will be subject to the same control as other enterprises if they raise prices unjustifiably.

7. Certain prices—especially those for fresh food such as fruit, vegetables, meat and fish and for imported raw materials—are subject to fluctuations arising from external or seasonal causes. Where such prices rise, enterprises handling these products without applying any manufacturing process to them will not be required to obtain specific consent for raising their prices by the same amount. Increases beyond this will be subject to the controls provided in the Bill. Where there are price reductions, enterprises will be expected to pass them on in full.

8. The Government intend that the principles of the standstill shall apply to the prices of the nationalised industries, and to central Government fees and charges.

9. Prices determined by bodies such as the Traffic Commissioners and the Civil Aviation Authority will be subject to the standstill.

**Employment Incomes**

10. The standstill applies to all increases in pay and to other improvements in the terms and conditions of employment, e.g., hours and holidays, though not to occupational pensions. All concerned in the determination of pay and other conditions of employment in both the public and private sectors, whether at industry, company or plant level, will be subject to the requirements of the standstill. Arbitrators, independent review bodies and statutory wage fixing bodies are expected to take account of the standstill.

11. The term “pay” covers all rates of pay. In addition to the basic rate, this includes rates of pay for overtime or weekend work, piece rates and all allowances which are normally considered as pay.

12. The standstill will not apply to increases in earnings resulting directly from extra effort or output under existing arrangements, e.g., increases in piece-work earnings stemming from increased output. Nor will it apply to increases arising from genuine promotion. Where the existing pay is expressed in terms of ranges or scales they should not be increased. The standstill will not of course apply to direct reimbursement of expenditure incurred, e.g., for travel and subsistence.

**Existing agreements**

13. In all cases where a settlement was reached before the standstill, and the operative date of the increase was on or before 6th November, the increase can be implemented.
14. However, there will be some agreements made before the standstill which provide for specified increases in pay or improvements in other conditions to take effect from an operative date falling within the period of the standstill. The operative date of such increases will be deferred until the standstill comes to an end. Included in this category are any increases which may fall due during the standstill under existing cost of living sliding scale arrangements.

Wages Councils and Boards

15. Proposals from Wages Councils and Boards made on or before 6th November may be implemented if the operative date of the last increase was at least 12 months before the standstill.

Arbitration Awards

16. Arbitration awards may be implemented during the standstill if the relevant hearings were completed on or before 6th November and the operative date was not later than that date.

Deferred increases

17. Apart from the cases in paragraphs 13, 15 and 16 above, where payment is permitted during the standstill, the implementation of pay increases or improvements in conditions negotiated or submitted to arbitration before the standstill is deferred until the end of the standstill.

Negotiation and arbitration during the standstill

18. If negotiations or arbitrations take place during the standstill any increase resulting from an agreement should not take effect before the end of the standstill period and will in any case be subject to the policy which is in operation after the standstill period.

Other employment incomes

19. Many individual salaries and other forms of remuneration are not determined through collective bargaining. The standstill will apply to these forms of employment income. It will apply also to charges and fees (including all forms of professional fees) for services by self-employed persons.

Rates

20. The Government will consult the local authorities in the forthcoming rate support grant discussions with a view to moderating the rate of growth of local rates.

Rents

21. The rents charged by local authorities and new towns are governed by the Housing Finance Act 1972 and the corresponding Scottish Act. Under these Acts the tenants of these authorities are covered by rebate schemes from 1st October, 1972, and certain authorities were required to increase the rent of their dwellings for 1972-73 in October 1972. As these rent increases were due to take place before the standstill they are not affected by it and any authorities who have not so far discharged this statutory obligation will not be relieved of it by the standstill.
22. About half of the tenants of private unfurnished accommodation are at present subject to rent control. Some of them are due to move from control to regulation on 1st January, 1973, and to be liable to have their rent increased if a fair rent is subsequently registered for their dwelling. This date will be postponed to the end of the standstill period. For those private tenants whose rent is regulated and who are thus already within the fair rent system, and for tenants of housing associations who come within that system on 1st January 1973, any fair rent registered during the standstill which is higher than the existing rent will not take effect until the end of the standstill.

23. The rent of business premises and land has a direct effect on the price of many goods and services, and unlike housing rents these rents are subject neither to statutory controls nor to rebate provisions. They will be subject to the standstill provisions.

Dividends

24. The standstill will apply to dividends declared by companies incorporated in the United Kingdom. During the standstill period companies will be required not to declare dividends (whether final or interim) in excess of the corresponding amount in the same calendar period a year ago. Because of their special character the standstill will not be applied to dividends declared by investment trusts or to certain companies such as close companies to the extent that they increase distributions in order to comply with the special tax rules. The Treasury will be issuing further explanatory guidance to assist companies.

The Powers

25. In support of the standstill, the Bill (which applies throughout the United Kingdom) will give Ministers powers to make orders or issue notices directing that incomes or prices and charges should not exceed the levels prevailing before 6th November. This will enable unjustified increases which take place during the standstill period to be reversed. The Bill will also provide for fines in cases where an individual or firm fails to comply with a direction to reduce incomes, prices, charges or dividends and where anyone takes action designed to force an increase to be made which would be contrary to an order.

26. The Bill will give the Ministers concerned discretion to defer for the duration of the standstill the effective dates of wages regulation orders made under the Wages Councils Act and the Agricultural Wages Act.

27. The Bill will enable orders or notices to be made to prohibit a company from declaring a dividend higher than the corresponding dividend paid in the same calendar period in the previous year. The Bill will provide powers to make orders to prevent increases in rents above the level payable before 6th November.
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A FLEETING VISIT TO PEKING

Note by the Secretary of State for Foreign and Commonwealth Affairs

1. It may interest my colleagues to have the attached account of a few impressions, quickly gathered and therefore rather ill-assorted, of the Peking of today.

2. I will report orally to the Cabinet on the Chinese attitude to Hong Kong.
One is struck at once by the primitive nature of the Chinese life. The pace is that of the donkey, horse and bicycle. There are none of the amenities of life of the West. We visited the house of the leading member of an agricultural commune of 75,000 people. His house consisted of two rooms totally bare of furniture with the communal bed of flat stone heated underneath by the effluent from the cooking oven next door. The only ornament was the inevitable picture of Chairman Mao. Several times I saw as many as 50 people working with a kind of hoe breaking the top of the earth, concentrated on about a quarter of an acre. There is virtually no mechanisation. The cows, pigs and horses seemed to be well cared for. There was little sign of malnutrition. I would think that the revolution has increased output per acre over the whole country considerably and that, as a result, there is sufficient food for the people provided that they are not overtaken by some natural calamity. To that extent the New China is an improvement on the old.

China is clearly a "do it yourself" society. Time and again I was told that they were determined not to be beholden to any outsider. They were conscious that this would slow down progress but accepted this handicap. In keeping with this principle they turned down finance by credit. They would rather pay their way gradually and pay in cash. That is what in fact they are doing for Concorde and the Trident. They conceded that there might be occasions when they would have to arrange payment by instalment but this was emphatically the exception and not the rule. Expansion of trade with China will therefore be slow.

It is also a "do as you are told" society. Discipline is everywhere and critical questioning of decrees handed down from the top virtually non-existent. But there is nevertheless the feel of a working democracy and the leadership seems to get the message from the grass roots. It comes up through a series of revolutionary committees operating at various levels and seems to be heeded. The operations of the few at the top and particularly of Chairman Mao are wrapped in mystery but the placards and the press spread the news of what is required and it is done. Obedience or self-discipline or fear - it is difficult to say. The people seemed to be friendly but passive.
I can confirm the impression of many who have lately been to China that they are obsessed by fear of Russia's intentions. Why, they ask, are there 1 million troops on the Soviet-Chinese border? This colours their attitude to everything. They approve of an expanded European Community and of the American nuclear umbrellas over Europe and Japan. They even told me that they had advised the countries of the Middle East not to nationalise Western oil. This fixation concerning Russian intentions is reinforced by an ideological difference over principle 3 of the five principles of peaceful co-existence. The Chinese say that, while it is admissible to support with propaganda a minority movement with whom they have sympathy, it is not permitted to threaten force against a country with which there are diplomatic relations. I pressed them on when intervention was allowed or disallowed and touched them slightly on the raw over their policy of supporting Somalia against Kenya. I was not convinced by their defence. But they were insistent that this deviation by Russia from pure Communist doctrine was a fundamental cause of their breach of relations.

They seemed to be very ready to turn over a new leaf with us and to increase contacts and trade within the limits which their economic rules place upon them. It was rather a relief after the niceties of Western diplomacy to agree or disagree with few grey areas. They were very friendly and everything was most efficiently run.

There is a lot of doubt about the future leadership. Mao Tse-tung is 79 and Chou En-lai 74 and, I would guess, feeling his age. There is no-one, so far as we could discover, who is marked out for the succession. When asked about this Chou En-lai says that there are 1,000 who would be well-equipped to lead. I would think that in fact they are very short indeed of top quality people both at the political and official level.

They are gradually gaining confidence in their new international role and the Minister of Trade is to come to London in January; and I hope the Foreign Minister will pluck up sufficient courage to come in the summer. We should cultivate exchanges at all levels.
7 November 1972

CABINET

RATE SUPPORT GRANT NEGOTIATIONS

Memorandum by the Secretary of State for the Environment

1. Following the discussion in Cabinet on 2 November (CM(72) 48th Conclusions, Minute 6) the issues have been further discussed with the Chief Secretary, and the Department of Education and Science. The Chief Secretary and I are in full agreement that, in the coming stages of the negotiations about rate support grant for 1973-74, we should openly invite the co-operation of the local authorities in policies designed to restrain the growth in the rates, that we should declare our willingness to help in this by a more generous attitude on rate support grant than in the last settlement, and that at the same time we should impress upon the local authorities the need to play their part by moderating the growth in expenditure in 1973-74. We should also draw attention to the problem presented by the rising trend in expenditure over subsequent years, but, so far as the local authorities are concerned, this would have to be followed up in separate consultations; so far as the Chief Secretary is concerned, since the public expenditure decisions which now have to be taken affect the whole period of up to 1976-77, he will naturally wish to pursue in that context the policy issues involved in bringing the trend in local authority expenditure back on course.

2. There is at present a gap of some £60-£70 million between the total of relevant expenditure for 1973-74 which the spending Departments think must be accepted as compared with the figure which would correspond exactly with the existing Public Expenditure Survey Committee (PESC) provision. Even so, these Departmental forecasts are significantly less than the local authority associations have proposed. Therefore, to start with, I have to reconcile them to coming down to our forecasts. But on top of this I have given the Chief Secretary an undertaking that I will seek to negotiate a further reduction of £25 million in the local authority bid. But I can give no prior assurance of success in this attempt and the Chief Secretary has accepted that, if I am later obliged to report that this £25 million cannot be secured, he will then be prepared to forgo this further reduction. This would mean that the total of relevant expenditure for England and Wales for 1973-74 would be £4,934 million at June 1972 prices. In that event the Chief Secretary would consider it all
the more essential to work out measures to prevent this substantial excess over the PESC provision from continuing in subsequent years also.

3. On the rate of grant, I consider that I should be in a position to offer 60 per cent in the negotiations. The Chief Secretary, while agreeing that the outcome must be in the range of 59-60 per cent, has been reluctant to accept at this stage that we should go as far as 60 per cent, on the grounds that, though there is inevitably uncertainty about the implications for rates of any particular grant percentage it seems likely that a 59½ per cent grant - an increase of 1½ per cent over the existing percentage - would be enough to enable local authorities to keep the increase in both domestic and non-domestic rates in 1973-74 pretty close to 5 per cent. He is naturally concerned with the fact that every half per cent on the rate of grant adds £25-£30 million to the financing problems of the Exchequer.

4. For my part, I feel that to offer a grant of 59½ per cent rather than 60 per cent would spoil the psychological effect of our proposals. Moreover for the sake of ½ per cent of grant it is running the risk of not getting down to 5 per cent. However, I am prepared to negotiate with the associations to determine a level of grant not exceeding 60 per cent which could be expected to keep the average rise in rates to about 5 per cent. I will seek to do so at 59½ per cent, but if I have to offer the full 60 per cent the Chief Secretary will be prepared to accept that.

G R

Department of the Environment

7 November 1972
1. The Ministerial Committee on Regional Policy and the Environment (RE) has been considering the redevelopment of Whitehall.

2. When plans were published to put up a new building on the area now occupied (in part) by Richmond Terrace and the Norman Shaw North building formerly used by the Metropolitan police, there was such a public outcry that our predecessors set up a public enquiry under Mr Harold Willis, QC, to examine the proposals.

3. Mr Willis's report was submitted soon after we came into office. It recommended the preservation of both the Norman Shaw North building and the facade of Richmond Terrace. We have hitherto reached no conclusion on it. It had serious implications for Government accommodation, since it would substantially cut the original plans for 4,000 places; it involved considerable expenditure; and there was uncertainty about the Parliamentary building on the immediately adjacent site. But we ought not to delay for much longer.

4. The future of the Old Public Offices on the other side of Whitehall is also a matter of concern. Much of the accommodation is in poor condition; but at the same time there is a strong body of public opinion in favour of preserving the building.

5. Two of the three buildings are listed Grade 1, and the third (Richmond Terrace) is Grade 2*, i.e. a particularly important Grade 2 building. RE came to the view that, in principle, all three should be preserved. It would remove credibility from our efforts to preserve Grade 1 buildings elsewhere if it were seen that the Government were themselves prepared to demolish them where it suited their convenience. The Committee therefore concluded that plans for the future development of Whitehall must be based on the preservation of Richmond Terrace, the Norman Shaw North building and the external facades of the Old Public Offices (without at this stage entering into any commitment about the restructuring of the accommodation behind these facades).
6. The extra cost of preserving these buildings would not be small. The estimates vary according to the assumptions made about how many people will be kept out of Whitehall, where they will have to go, and the use which is made of any buildings which are preserved. The estimated cost, discounted to present value, of erecting two completely new buildings accommodating 8,000 staff on the Richmond Terrace/Norman Shaw North and Old Public Offices sites is £21 million. The extra costs, on the assumption that these three buildings are preserved, have been estimated by officials as £8 million, £23 million or £38 million according to whether staffs which would have been housed in the new Whitehall buildings were accommodated on the London periphery, on a South Bank site or on another Whitehall site. Account has to be taken of the additional cost, estimated at £2 million, of developing Norman Shaw North as a police station to replace Cannon Row. There must be uncertainty about the estimated cost of preserving Richmond Terrace which is in a poor state.

7. RE have put in hand an examination of all the implications of their proposal, including the future accommodation of Government Departments in relation to the space likely to be available if the three graded buildings are preserved.

8. In view of the importance of the area, the public interest in proposals for its re-development, and the likelihood of some delay while the further studies are carried out, the Committee felt that on balance it would be right to announce as soon as possible a decision in principle to preserve the three buildings. The Cabinet will wish to consider this conclusion.

R C

Home Office

13 November 1972
CABINET

PUBLIC EXPENDITURE TO 1976-77

Memorandum by the Chancellor of the Exchequer

1. At the Cabinet meeting on 13 July (CM(72) 36th Conclusions, Minute 5) the Cabinet agreed that the growth of public expenditure between 1971-72 and 1976-77 should not exceed an average annual rate of 3.8 per cent in terms of use of resources. This was the rate consistent with the existing programmes set out in the 1972 Report of the Public Expenditure Survey Committee (PESC). The Chief Secretary and I were invited to discuss with the Ministers concerned the problems of priorities entailed in the proposals for additional expenditure noted in the PESC Report, and I was asked to report the outcome. This I now do.

2. The Prime Minister circulated a minute to the Cabinet on 15 September stressing the importance of keeping within the 3.8 per cent limit. I set out in the Annex to this paper a table summarising the original bids for additional expenditure (expressed in terms of the cost in 1976-77) and the present state of play. From this it will be seen that net bids of some £200 million are still outstanding (which would put the 3.8 per cent up to 4 per cent).

3. If these bids are accepted without being offset by savings elsewhere, they will automatically pre-empt part of the Contingency Reserve which stands at £750 million in 1976-77. But there are already other claims on that Reserve viz:

   £ million

i. The development of existing policies in support of industry in the fields of the Departments of Trade and Industry and of Employment, which could cost about - 125
   (The Department of Employment element is ripe for transfer to the programmes themselves from the Contingency Reserve.)

ii. The deficit finance (not to be confused with the compensation for price restraint, which I assume to be phased out by 1976-77) which might be needed by some nationalised industries, particularly the railways and coal, unless they can be made structurally viable by 1976-77. This would cost a further - 125
iii. Social security: the 1972 PESC Report allowed for the hypothecation of a sum to cover one earnings uprating within existing Cabinet rulings. This would cost - 300

iv. The pressure on the Defence Budget at the agreed provisional figure is so great that we might have to face a further call, say - 100

650

4. If in addition the outstanding bids in the Annex (which would vary from £130 million to £300 million) were added, it is clear that, on almost any reckoning, the whole of the Contingency Reserve would already be pre-empted, leaving us no room for manoeuvre at all in the way of new policy developments. Yet in ordinary circumstances I would reckon that £200 million should be left uncommitted as a matter of common prudence.

5. There is one further and most important development. In addition to the matters I have already referred to, we must recognise that, following the tripartite talks and the counter-inflationary action we are now taking, we may well find ourselves faced with additional commitments, the duration of which we cannot at present foresee.

6. There would be no more certain way of sapping confidence in the general management of our affairs than - in the latter part of this Parliament - to have to cut back on specific items of expenditure already announced or, alternatively, to have to reverse our taxation policies. Although we aim to maintain a higher growth rate in the economy, it would be both economically and politically naive to fall into the old trap of making firm commitments on public expenditure without allowing for even the possibility that we may be faced with problems when the existing slack in the economy has been taken up.

7. I am grateful for the efforts which my colleagues have made to reduce expenditure or rephase it, or to offset extra spending. But I have had to consider very seriously asking for a further general examination of their programmes to provide sufficient further savings to give us the necessary uncommitted margin while maintaining the 3.8 per cent limit. But this would take still more time, and I am sure that we ought now to proceed to publish the White Paper as near as possible to the normal timetable. Delay would be the subject of comment, and would threaten the confidence which is now being re-established as a result of our latest action on pay and prices.

8. In the White Paper we shall present the programmes on the usual five-year base, starting with 1972-73; and over this period the average rate of increase should come down towards 3.5 per cent. But it will be at once apparent to commentators and our supporters in Parliament that expenditure for 1972-73 is at an exceptionally high level (6.5 per cent up on last year), and that the average rate of increase over the period therefore provides a superficially rosy picture of the real situation.
CONCLUSIONS

9.  I am therefore prepared to recommend the Cabinet to accept the position now reached, as summarised in the Annex, as a basis for drafting the White Paper, subject to three conditions:

   a.  Favourable answers on the outstanding points in notes (2), (3), (4), (5) and (6(i)) in the Annex, because of the extreme pressure (paragraph 4 above) on the Contingency Reserve.

   b.  We must ensure that our continuing examination of the programmes and projects within the PESC period, and reassessment of policies is necessary, is fully effective in keeping the totals under control and the balance of priorities right.

   c.  We must have a clear understanding now that as plans for the programmes are rolled forward this winter for 1977-78 we shall not run again any such risks as we shall be taking this year with 1976-77; this means that the rate of increase of each programme will be submitted to critical scrutiny with no presumption that the rates in this year's White Paper can be continued.

10. Finally, given agreement on these points I shall do my best to ensure that the presentation of our plans on the White Paper will not leave us vulnerable to criticism.  But presentational devices will certainly fail us if we have not got adequate substantive control.

   A B

Treasury Chambers

13 November 1972
### CHANGES IN BIDS FOR ADDITIONAL EXPENDITURE OVER AND ABOVE THE CABINET TARGET FOR 1976-77

<table>
<thead>
<tr>
<th>Programme</th>
<th>Original Claim above 1972</th>
<th>Present Position compared with 1972 Survey Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ million</td>
<td>£ million</td>
</tr>
<tr>
<td>1. Defence</td>
<td>+ 200</td>
<td>+ 100&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>2. Overseas Aid</td>
<td>+ 40</td>
<td>-</td>
</tr>
<tr>
<td>3. Trade &amp; Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Steel investment</td>
<td>+ 100</td>
<td>-</td>
</tr>
<tr>
<td>(b) Other DTI expenditure</td>
<td>-</td>
<td>[ - 50 ]&lt;sup&gt;(2)&lt;/sup&gt;</td>
</tr>
<tr>
<td>(c) DE proposals for aid to labour mobility</td>
<td>+ 45</td>
<td>+ 45&lt;sup&gt;(3)&lt;/sup&gt;</td>
</tr>
<tr>
<td>4. Miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Services</td>
<td>+ 69</td>
<td>-</td>
</tr>
<tr>
<td>5. Urban programme</td>
<td>+ 4</td>
<td>+ 1½</td>
</tr>
<tr>
<td>6. Arts</td>
<td>+ 1</td>
<td>-</td>
</tr>
<tr>
<td>7. Education</td>
<td>+ 19</td>
<td>- 18½&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td>8. Health and personal social services</td>
<td>+ 27</td>
<td>-&lt;sup&gt;(5)&lt;/sup&gt;</td>
</tr>
<tr>
<td>9. Social Security</td>
<td>+ 180</td>
<td>61&lt;sup&gt;(6)&lt;/sup&gt;</td>
</tr>
<tr>
<td>10. Mid-term census</td>
<td>+ 10</td>
<td>4&lt;sup&gt;(7)&lt;/sup&gt;</td>
</tr>
<tr>
<td>11. Local authorities current expenditure</td>
<td>+ 148</td>
<td>49&lt;sup&gt;(4)&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>+ 843</td>
<td>192&lt;sup&gt;(8)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
Notes

(1) The Defence Budget is under great pressure and may need additionally to claim on the Contingency Reserve.

(2) The figure for 3(b) is not yet firm; both items are subject to confirmation.

(3) These proposals await discussion in ES Committee. I hope they will not be pressed.

(4) Virtually the whole of the +£9 under item 11 (at issue in the current Rate Support Grant negotiations) is attributable to Education. Against this excess the Secretary of State has offered reductions of 18½ under item 7. Possible further reductions totalling 22 are still unresolved, of which 1½ has been asked from Scotland.

(5) Subject to the Secretary of State's agreement to absorb the cost (£4 million for Great Britain) of the family planning proposal.

(6) This figure assumes:

   (i) that proposals for specific improvements of benefits (except for £6 million for increments for deferred retirement) are withdrawn. This has yet to be confirmed.

   (ii) that as regards upratings - on which no immediate decision can be taken - there will be adopted the principle of differential (lower) upratings for supplementary and short term benefits. This is not yet agreed. If all benefits were uprated annually in line with earnings, it would cost £100 million more.

(7) For separate consideration.

(8) If the expenditure is held as in Notes (2), (3), (5) and (6)(i) and the further reductions referred to in Note (4) above are achieved, the total would fall to £130 million; if the possible additional £100 million in Note (6)(ii) materialises, the total could rise to £300 million.
13 November, 1972

CABINET

PUBLIC EXPENDITURE TO 1976-77

Memorandum by the Central Policy Review Staff

1. In July, the Cabinet decided that the rate of growth of public expenditure between 1971-72 and 1976-77 should be restricted to 3.8 per cent per annum, and that the total for public expenditure in 1976-77 should therefore not exceed £30,300 million.

2. The Chancellor of the Exchequer's memorandum on Public Expenditure to 1976-77 (CP(72) 121) shows that this objective has not been achieved. While methods may be found to deal with the problems of public presentation in this year's White Paper, the real problems are still unresolved. The whole of the contingency reserve for the next five years is for practical purposes completely mortgaged. Even if everything went well, and there were no pressures for further expenditure, the Government would have no room to manoeuvre on public expenditure.

3. In fact there will be obvious and growing pressures for increased expenditure, and there will be unforeseen events which may require further increases. In other words, the Government is over-committed on public expenditure, and there are serious risks that hasty and painful cuts may be necessary later in the lifetime of the present Parliament or that the Government will fail to achieve its taxation objectives.

4. There is probably little choice but to accept the present situation so far as this year's White Paper is concerned. But the longer the Government continues to allow the present over-commitment to run on, the more dangerous the situation will become.

5. Between now and next year's Public Expenditure Survey (PESC) exercise, action must be taken which will reduce the rate of increase in public expenditure to an economically acceptable level, and to re-establish an adequate contingency reserve. This will require Ministers, both individually and collectively, to re-examine priorities, to cut out marginal commitments, and reduce the future growth rates of selected programmes to a tolerable level. If this is done, next year's PESC exercise should be manageable; the adjustments could be made discreetly and to choice rather than publicly and arbitrarily; and the Government would face the next two years with room to manoeuvre on public expenditure.
RECOMMENDATIONS

6. We therefore recommend that:-

   i. Ministers should endorse the Chancellor of the Exchequer's proposals;

   ii. action to bring the rate of increase of public expenditure down to an acceptable level and to re-establish an adequate contingency reserve, be put in hand before the next PESC review.

Cabinet Office

13 November 1972
1. At its meeting on 7 July the Home and Social Affairs Committee agreed that an inquiry should be instituted into the basis of liability for personal injury.

2. The Robens Committee on Safety and Health at Work (Cmnd. 5034) had recommended an inquiry in the field of employers' liability. We recognised that any inquiry would at least have to extend to road accidents and that it was questionable whether it would be possible to draw the line there. We were then concerned to ensure that the inquiry did not lead to a recommendation for a State scheme, which could prove very expensive even though the benefits to the injured person would probably be inadequate, and which might have to include provision for disablement resulting from congenital conditions or disease. Departmental discussions proceeded on this basis, but led to the conclusion that it would be difficult to defend a proposal for an inquiry limited to accidents at work and on the road.

3. Public and Parliamentary concern for the thalidomide victims has led us to review the position. We have concluded that in present conditions we cannot avoid instituting an inquiry into the basis of liability for injury, caused in whatever way by the action of another person (eg by an accident at work or on the road, or by the administration of a drug or other dangerous thing). We recognise that no change in the law can have any effect on the position of the thalidomide children, for whom any relief would have to be sought in other directions. An additional difficulty in the thalidomide cases is that it is by no means clear whether there is any legal liability for injury caused to an unborn person.

4. Although for the reasons already given we would not support a State insurance scheme, we believe that we have more to lose than gain by preventing any inquiry from considering this possibility. We are, however, reasonably confident that a well-chosen Royal Commission - for we think that nothing else would do justice to the major problems involved - would be satisfied by sound evidence that any scheme providing for compensation without the need to prove negligence should be supported by private insurance and not by the State.
5. The Committee agreed that a Royal Commission should be appointed to consider whether any changes are desirable in the basis of liability for personal injury caused by the action of another person and invited the Lord Chancellor in consultation with the Ministers primarily concerned to consider terms of reference and membership of the Commission, as well as its staffing.

6. We seek the Cabinet's agreement to the conclusions of the Home and Social Affairs Committee. There is strong all-Party support in the House for Mr Jack Ashley's Motion which asks for a State insurance scheme to compensate for personal injury. It is desirable that an announcement of a decision should not be long delayed, although in announcing our decision to set up a Royal Commission we must, of course, make it clear that this does not commit us to a State scheme.

H. of St. M.
K J

Lord Chancellor's Office

13 November 1972
CABINET

MINISTERIAL RESPONSIBILITIES FOR EUROPE

Memorandum by the Prime Minister

I have reviewed Ministerial responsibilities for Europe in the light of the appointment of Mr John Davies as Chancellor of the Duchy of Lancaster with special responsibility for the co-ordination of Departmental policies in relation to Europe. The arrangements will be as follows:

1. The Secretary of State for Foreign and Commonwealth Affairs will be Her Majesty's Government's representative in the Council of Ministers of the Communities. The Secretary of State will also remain Chairman of the Ministerial Committee on Europe, which will take the major Ministerial decisions on policies in relation to the Communities except in so far as these decisions have to be referred to Cabinet.

2. The Chancellor of the Duchy of Lancaster, who will be accommodated in the Cabinet Office, will deputise for the Secretary of State for Foreign and Commonwealth Affairs, and will be responsible for the work done to co-ordinate the views of Departments in Whitehall on European and related issues where these do not have to be referred to the Ministerial Committee on Europe.

3. The Chancellor of the Duchy of Lancaster will therefore supervise the work of the interdepartmental European Unit, although the Unit will continue to have direct access to me (and I to it) and to report in principle to the Chairman of the Ministerial Committee on Europe.

EH

10 Downing Street

14 November 1972
CABINET

REPORT OF THE WORKING PARTY ON UNEMPLOYMENT STATISTICS

Note by the Secretary of State for Employment

I have agreed with the Prime Minister and my colleagues most closely concerned that the report of the Interdepartmental Working Party on Unemployment Statistics should be published as a White Paper. The Cabinet will wish to know that I propose to publish this White Paper, an advance copy of which is attached, on Monday 20 November, in time for the new format for the publication of unemployment figures to be adopted for the November figures.

M V M

Department of Employment

16 November 1972
CONTINUED

Unemployment Statistics


Department of Employment

29 September 1972

20 November 1972
Unemployment Statistics
Report of an Inter-Departmental Working Party

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Annex D  Disqualifications for unemployment benefit.

Annex E  Numbers on the unemployment register, notified vacancies and claims for unemployment benefit.

REPORT OF A WORKING PARTY ON UNEMPLOYMENT STATISTICS

SECTION 1

1.1 This Working Party of officials was set up as a result of a request from the Prime Minister for an inquiry into the nature of the unemployment statistics.

1.2 The Working Party adopted as its Terms of Reference:

To consider whether the statistics which are at present collected relating to the registered unemployed, and others in the population of working age who are neither in employment nor registered as unemployed, need to be further subdivided, supplemented or presented differently in order to provide a more accurate indication of the real level of unused labour resources in the economy.

1.3 The membership of the Working Party included representatives of the Department of Employment, Treasury, Central Statistical Office, Department of Health and Social Security and the Department of Trade and Industry. (The names of the members are listed at Annex F)

1.4 The increase in unemployment over the past few years has directed public attention to the basis and nature of the unemployment statistics published by the Department of Employment. The volume of comment, much of it critical, increased sharply when unemployment in the UK was approaching the figure of one million. A number of articles, by academics and others, have raised fundamental questions. All these articles discussed the central question of whether the published statistics accurately reflect the 'true' unemployment position. Some concluded that the published figures are too high, and others that they are too low.
Summary and conclusions

1.5 The report sets out in Sections 2 and 3 the economic, social, legal and administrative framework within which unemployment statistics are collected and outlines in particular (Section 3) the constraints imposed by various legal obligations which the unemployed are required to fulfil in order to obtain social security benefits.

1.6 Section 4 examines whether there are people who are counted in the unemployment statistics who do not form part of the genuine reserve of labour, and if so whether they should be separately identified. The Working Party concludes that:

(i) the temporarily stopped are different from the main body of unemployed and their numbers should be presented quite separately (para. 4.8);

(ii) it is not possible to isolate the short-term unemployed in the statistics (para. 4.12). However, it is possible to identify the number who at the time of the count have been on the unemployment register for 4 weeks or less, and it would be desirable if this information could be included in the Press Notice. In addition, a standing paragraph should be included showing the large monthly turnover of the unemployment register (para. 4.18);

(iii) adult students seeking vacation work should continue to be included in the figures of total unemployment and should also be identified separately, as at present (para. 4.20);

(iv) it is not possible to identify categories of those alleged to be not genuinely seeking work (paras 4.22 - 4.29), or (with the exception of students) those who are not seeking permanent employment (para. 4.21);

(v) there is no case for attempting to distinguish an unemployable group within the unemployment register, (para. 4.34).
(vi) it is desirable to continue to treat registered disabled persons as at present for statistical purposes, excluding from the statistics those who are unlikely to obtain employment except under sheltered conditions (para. 4.37);

(vii) the Department of Employment proposes to mount a series of experiments to show whether a special resettlement service should be developed for socially disadvantaged people (para. 4.38);

(viii) a Working Group should be set up to make detailed studies of the characteristics of the unemployed from available data and to consider how any further information which is necessary can be obtained (para. 4.44).

1.7 In Section 5, the report discusses whether there are people who are unemployed but not registered, and if so whether they ought to be counted and by what method. Its conclusions on this subject are as follows:

(i) Earlier estimates of the numbers who are seeking work, but not registered as unemployed, have been greatly exaggerated. Preliminary results of the 1971 Census of Population are given in para. 5.3. There is no evidence that large numbers of people have dropped out of the labour force altogether, though there has been a large increase in the number of students and a tendency to earlier retirement among men over 60 (para. 5.1).

(ii) The numbers who are in some sense seeking employment but not registered will include many different categories, including those who are very marginally attached to the labour force and will only enter it on specific conditions of employment (paras. 5.2 - 5.5).

(iii) The Working Party stresses the importance of the UK participating in the EEC labour force survey in 1973 (this is a sample survey which will interview households), and recommends that the possibility of instituting regular interview sample surveys to supplement the existing statistics
should be considered further in the light of experience of the EEC survey and the General Household Survey (pars. 5.6 - 5.24).

1.8 The report examines in Section 6 the influence of forthcoming administrative and legal changes upon the unemployment figures. These include the improvement of the employment service, proposed changes in National Insurance and the introduction of a Tax Credit System. The Working Party concludes that it seems impossible at present to predict the effect of any of the proposed changes on the unemployment statistics, but considers that this aspect of the changes must be kept under review throughout the planning stages (para. 6.4).

1.9 Section 7 examines the presentation of the statistics, particularly in the press notice. The following recommendations are made:

(i) The unemployment statistics should be simplified. There should be a single aggregate - "the unemployed" - which should not include the temporarily stopped. The technical terms "total register" and "wholly unemployed", which have caused great confusion, should cease to be used. The figures for the temporarily stopped should be shown separately from the unemployed.

(ii) School leavers and adult students seeking vacation work should continue to be included in the total of unemployed, though separate figures should also be shown for each of these categories.

(iii) It is strongly recommended that the best indicator of the trend of unemployment is the seasonally adjusted series of the unemployed excluding school leavers and adult students seeking vacation work, as at present.

(iv) Prominence should be given to the separate trends of unemployment for males and females; to the numbers who have been on the register for less than 4 weeks; and to the large turnover of the register.

(v) Articles should be published from time to time describing the trends and structure of unemployment over longer periods.

1.10 Unemployment percentage rates should continue to be based on the total number of employees as denominator (para. 2.10).
Why statistics of the unemployed are needed.

2.1 Statistics of the unemployed are used for a variety of different purposes. These fall into two main groups which can be described respectively as "economic indicators" and as "indicators of social distress". The importance of individual components of the unemployment statistics depends on the purpose for which the statistics are being used.

2.2 As an economic indicator the unemployment statistics are important both for national economic management, and also to provide a comparison between different areas in order to decide the priorities for Government assistance. For these purposes they should measure the extent of under-utilisation of available resources of labour. Although the present statistics do not include those who are seeking work but have not registered as unemployed, changes in the published statistics are generally closely associated with changing levels of economic activity, although normally with some delay.

2.3 As indicators of social distress, the important components include the numbers of heads of families without a job, the partially disabled who cannot find work, the old, the young, the long-term unemployed, and so on. In this context the short-term unemployed who are merely changing jobs (with a week or two off in between) are of less importance.

2.4 These different groups, namely those whose unemployment is relevant to the management of the economy and those whose unemployment is a cause for social concern, largely overlap but are by no means identical. Neither coincide exactly with the published monthly statistics, which of necessity are confined to the numbers who register at the local offices of the Department of Employment and which have never been presented as anything more than this. This does not, however, mean that the statistics cannot provide extremely useful information for both purposes, provided that they are examined in depth and interpreted with care.
Definition of the Employment Register

2.5 For the purpose of this report the unemployment register will be defined as including those persons whose details are held at the local offices of the Department of Employment and Careers Offices of the Youth Employment Service who are:

a) unemployed non-claimants, i.e., unemployed persons seeking full-time employment but not claiming social security benefits;

b) unemployed claimants, i.e., unemployed persons who are seeking employment and claiming social security benefits;

c) temporarily stopped claimants, i.e., persons who are claiming social security benefits because their employer has no work for them to do on a particular day, but who still have jobs and are expected to return to them.

The phrase 'to register for employment' will be used to describe the process by which groups (a) and (b) put their names down at the employment exchange in order to seek a job. The temporarily stopped, although they are required to go through an administrative process in order to qualify for social security benefits, do not in fact 'register for employment'. They declare themselves to be unemployed (i.e., meaning that they are not at work on that day, though they still have jobs) and capable of and available for work, but in many cases the period of suspension is very short (see para 4.4) and they are not in practice seeking new employment during their period of temporary suspension. The phrase to 'sign the register' is used to describe the process by which categories (b) and (c) meet their obligation to prove unemployment.

2.6 The unemployment register is counted once each month, usually on the second Monday, by the staff of the local office. Only those who are unemployed on the date of the count are included; and because notifications of changes are often received belatedly, it is necessary to wait for some days before the count can be completed. These counts provide the data used to compile the unemployment statistics which are presented each month in the Press Notice and in the Department of Employment Gazette.
The monthly unemployment Press Notice is normally issued ten days after the
date on which the count of the unemployment register takes place. Since some of those
whose documents are counted will be in jobs and will not yet have notified this fact
to their employment exchange, it is necessary to wait a week for belated notifications
before the count can be finalised. The Press Notice contains provisional national
and regional figures for total registered unemployment and the constituent groups
who are wholly unemployed, temporarily stopped, school-leavers, or adult students
seeking temporary vacation work, as well as the latest information about the numbers
of vacancies notified to the employment service which remain unfilled. There is
some analysis of the unemployment figures by sex for adults and juveniles separately.
Seasonally adjusted figures in the series for 'wholly unemployed excluding school-
leavers and adult students' are also presented in the Press Notice.

Final unemployment figures, obtained after more careful scrutiny and computer
processing of the returns from local offices, are published in the Department of
Employment Gazette at the end of the month after that to which the figures relate.
In addition to the analyses by sex and by region, the Gazette also contains the
following detailed analyses of the unemployed:

<table>
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<th>Analysis</th>
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</tr>
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<td>every month</td>
</tr>
<tr>
<td>occupation for which registered for work</td>
<td>quarterly</td>
</tr>
<tr>
<td>duration of current</td>
<td>limited analysis monthly, fuller analysis quarterly</td>
</tr>
<tr>
<td>period on the unemployed register</td>
<td></td>
</tr>
<tr>
<td>age</td>
<td>every 6 months in conjunction with detailed analysis by duration</td>
</tr>
<tr>
<td>entitlement to benefit</td>
<td>quarterly</td>
</tr>
</tbody>
</table>

Recent examples of some of these data are shown in Annexes A and C.

The Working Party found that the administrative system by which the Press
Notice is produced is working near the limit of its capacity. Any significant
increase in the amount of information presented in the Press Notice would require
increase in staff either within the Department's Regional Organisation or at
Calculation of Unemployment Percentage Rates

2.10 When expressed as percentage rates, unemployment statistics are widely used as indicators of social and economic conditions which affect different groups within the population, and, in particular, groups living in different geographical areas. These percentage rates relate the numbers of registered unemployed to the total numbers of employees (employed and registered unemployed) in the populations at risk. It has been suggested that rates calculated in this way overstate the level of 'real' unemployment and that self-employed persons, employers, and EM Forces should be included in the denominators. The following figures reveal the differences between the two methods of calculation:

<table>
<thead>
<tr>
<th>Unemployment Percentage Rates (total register)</th>
<th>Great Britain Monthly Averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Published figure (using employees as denominator)</td>
<td>Figures using working population as denominator</td>
</tr>
<tr>
<td>1969</td>
<td>2.42</td>
</tr>
<tr>
<td>1970</td>
<td>2.63</td>
</tr>
<tr>
<td>1971</td>
<td>3.55</td>
</tr>
</tbody>
</table>

Unfortunately, information about the numbers in the total working population is not available for local areas. The Working Party considers that it would only cause confusion to use different definitions for the national and local rates and that the simplest course is to retain the present method of calculation.
Benefits available to unemployed persons

3.1 A person who is unemployed may be eligible for unemployment benefit, or a supplementary allowance, or a combination of both or neither. Subject to other eligibility conditions being satisfied, flat rate unemployment benefit is payable for a maximum period of 12 months and the rate depends solely on the employee's previous record of National Insurance contributions and on the number of his dependants. In addition, an earnings related supplement to unemployment benefit is payable to those who qualify for up to six months and is based on previous earnings. A supplementary benefit under the Ministry of Social Security Act 1966 is payable to unemployed persons whose income, including unemployment benefit, is considered to be insufficient for their needs. It is based on individual requirement and will normally continue (subject to the satisfaction of certain conditions) while the person remains unemployed. Credits of national insurance contributions are available to most unemployed persons with a recent record of employment or registered unemployment for as long as they continue to maintain their registration at an employment exchange (see 3.9 below).

Statutory provisions for unemployment benefit

3.2 Under the National Insurance Act 1965 a claimant for unemployment benefit, to be successful, must show that he is capable of work and is available for employment.

3.3 Even if otherwise qualified, a claimant can be disqualified for receiving unemployment benefit for a period up to six weeks if:

(1) he lost his employment through misconduct;

(2) he voluntarily left his employment without just cause;

(3) he refused an offer of suitable employment without good cause;

(4) he has neglected to avail himself of a reasonable opportunity of suitable employment;
(5) he refused without good cause to carry out written recommendations given to him by the employment exchange with a view to assisting him to find suitable employment;

(6) he refused without good cause a reasonable opportunity of receiving training.

Even if disqualified, a claimant may still be registered for employment.

Methods of claiming unemployment benefit

3.4 Claims and Payments Regulations made under the National Insurance Act require claims for unemployment benefit generally to be made in person at employment exchanges and provide additional powers for disqualification where claimants do not attend, normally weekly, or carry out directions of the employment exchange. There is no specific statutory requirement that claimants must register for employment but the requirement for claimants to do so is a general direction by the Secretary of State for Social Services and is regarded as essential by DSS except for temporarily stopped claimants. The adjudicating authorities hold registration for employment to be necessary for the claimant to establish that he has demonstrated his availability for employment by declaring it to the employment exchange and hence to employers who would be interested in employing him.

Statutory provisions for supplementary benefit

3.5 Section 11 of the Ministry of Social Security Act 1966 provides that the Supplementary Benefit Commission may require any person claiming a supplementary benefit to be registered for employment.

3.6 Regulations define "registered" in such a way that it means both being included in the register of people seeking work and attending at an employment exchange, normally weekly, in the same way as if the claimant had been claiming unemployment benefit.
Practical application of the statutory provisions for supplementary benefit

3.7 The Commission's power to apply the condition of registration for employment is administered to ensure that a claimant does not receive a supplementary benefit if he could maintain himself by suitable employment. The sick, elderly, women with young children and others who could not be expected to maintain themselves by employment are not required to register for employment and some other small categories may be excused registration or required to register only for part-time work.

Statutory provisions for contribution credits

3.8 As explained in para. 3.1, most unemployed persons with a recent record of employment or registered unemployment are entitled to contribution credits while registered at an employment exchange. Credits are thus given automatically to people receiving unemployment benefit or supplementary benefit through the exchange. Some unemployed persons may be entitled neither to unemployment benefit, usually because they have already drawn it for the maximum period of 12 months, nor to supplementary benefit because their own resources (e.g. an occupational pension) are above the supplementary benefit level. Such people may still register for employment to satisfy the conditions for a contribution credit. Anybody of working age, other than a married woman, is normally required to pay a national insurance contribution. Those who are neither working for an employer nor are self-employed are liable to pay class 3 contributions (as non-employed persons) unless excused. The class 3 contribution for a man is £1.20 a week (£1.33 from 2 October 1972). There are four main reasons for excusal: that the insured person is unemployed, is incapable of work, is in full-time education or (if self-employed or non-employed) has an income below a prescribed minimum — at present £9 a week. A Class-3 or Class-2 contribution can be credited for each week of unemployment or incapacity but not because of full-time education or small income.
3.9 The main significance of a credit is that entitlement to retirement pension or to widow's benefit depends on the contribution record throughout the working life of the insured person, although to a lesser extent credits can also count for purposes of other national insurance benefits. Without contributions or credits, pension would eventually be payable. In practice, persons wishing to be credited with contributions for weeks of unemployment are required to register for employment and normally to attend weekly at the employment exchange in a similar way to claimants for unemployment benefit. Exceptions are made sparingly in the case of certain of the older long-term unemployed where it is considered that there is little possibility of fraud. Because of the value of credits, DSS regard it as essential that they should not be awarded lightly and expect on satisfaction of the quite stringent conditions. There are the same disqualification provisions as for unemployment benefit (see para. 3.3).

Special Provisions Affecting Married Women

3.10 It is noted in paragraph 3.3 above that married women are immune from the general requirement to pay national insurance contributions. Broadly speaking, this is because they have cover for retirement pension on their husband's contributions (which, of course, also provide them with widow's benefit where necessary). Married women who work are accordingly allowed to opt out of paying flat rate contributions (the employer still has to pay his share) and those who do opt out are naturally unable to qualify for unemployment benefit or credits because they will not satisfy the contribution conditions. A woman who opts to pay contributions, on the other hand, can qualify for unemployment benefit in the same way as a man or a single woman, but normally at a lower rate.

Under the supplementary benefit scheme

3.11 For supplementary benefit purposes, a married woman cannot ordinarily receive benefit if she is living with her husband. Where a man and wife are members of the same household, the husband is the claimant and their resources are aggregated; a similar rule applies where two persons cohabit as man and wife.
It follows from the provisions described above that everybody getting unemployment benefit, contribution credits or supplementary benefit must sign the unemployment register. In the normal way neither unemployment benefit nor credits are awarded to an unemployed person without his also having registered for employment with the employment service, but on practical grounds this requirement may be dropped for workers on short time who claim benefit for days when they are not working. (Such claimants are nevertheless registered as unemployed and are included in the monthly count – see paras. 4.4 – 4.8). A claimant is subsequently required to attend the employment exchange, normally every week, to sign declarations about his unemployment and availability for work. He remains registered for employment until he is known to have got a job or his claim and registration for employment lapse for other reasons such as retirement or sickness.

Although everybody getting benefit must be on the unemployment register, it does not follow that everybody who is on the register must be getting benefit or even credits. There are a number of reasons why there is always a difference between the numbers on the unemployment register and the numbers getting benefit. One of these is technical and derives from the method of obtaining a count on a particular day. At any point in time there will always be some people who are registered as unemployed, and are so counted, and who will eventually get benefit but whose claims for benefit on the day of the count have not yet been decided or who are not yet entitled on that day to unemployment benefit (because of waiting days) or supplementary benefit (because they still have resources in the shape of their last wages). Other major reasons for the difference are that some people on the unemployment register have exhausted their entitlement to unemployment benefit (payable for a maximum of 1 year) and have resources sufficient to exclude them from supplementary benefit; that they are married women who have opted out of paying contributions; or they have been disqualified for unemployment benefit for
A broad analysis of the register of unemployed at 1 May 1972 by reference to benefit entitlement is at Annex C.

3.14 The figures in Annex C do not distinguish as a separate block those who are disqualified for unemployment benefit under one of the provisions described in paragraph 3.3. A considerable proportion of claimants for unemployment benefit suffer one of these disqualifications for a period. Some will be aware that they are likely to be disqualified and refrain from claiming or registering for employment when they first become unemployed. Others do claim, then suffer disqualification but normally remain registered for employment although not entitled to unemployment benefit or credits.

3.15 An idea of the numbers involved in disqualification can be got from Annex D which shows the numbers and proportions of new claimants disqualified, year by year. These figures need to be set against the corresponding levels of unemployment, vacancies and claims for unemployment benefit shown in Annex E. There is an obvious drop in the proportion of disqualifications after 1969 which corresponds with the increase in the numbers unemployed. A comparison of numbers disqualified for refusing suitable employment with numbers of unfilled vacancies notified to employment exchanges reveals broad similarity in movements over a considerable period of time.

Necessity For Claimants to Register for Employment

3.16 Unemployment benefit is intended for people who normally earn their living by working for others and whose work and earnings have been interrupted. The same applies to contributions credited for unemployment and to supplementary benefit for fit persons under pensionable age. It is axiomatic that the benefit should be confined to those who intend to work again. The obvious objective test of whether a person without a job wants to work again is that he should register for employment so that he may be submitted for employers' vacancies. Over 4 million people leave the unemployment register annually, about one-third of whom...
have been placed in employment through the employment service, the remainder having found jobs some other way or having left the register for other reasons. Apart from the obvious utility of registration for employment, any other test would be bound to be subjective in nature, dependent on the claimant's statement of his intentions. Even with registration for employment there must remain uncertainty about whether all the claimants are genuinely seeking work so long as there are not sufficient vacancies for every claimant to be offered one or more within a very short time of registering.
SECTION 4

Does the Unemployment Register contain people who are not part of the genuine reserve of labour?

4.1 The Working Party identified the following groups for consideration under this heading, and sought to examine whether they could or should be separately identified.

(a) The temporarily stopped.
(b) Those who are out of work on the day of the count but have jobs to go to some time in the near future.
(c) Students who want temporary employment during vacation.
(d) Those not 'genuinely' seeking work.
(e) The unemployable.
(f) Disabled persons.
(g) Socially disadvantaged persons.
(h) Those who are 'working and signing', i.e. fraudulent claimants. (This group was not further considered by the Working Party because it is currently under examination by a Committee headed by Sir Henry Fisher.)

4.2 The groups which different people may wish to exclude from the unemployment statistics to estimate the 'real' reserve of labour have very varied characteristics. In social analysis less concern is usually felt for groups (a) to (d) and (h) than for those who need and want work to support families but have no employment yet in prospect.

4.3 The groups described above are discussed in the following paragraphs. In considering each group the Working Party sought to answer two questions:
a. Does the group warrant special treatment in the unemployed register and/or in the statistics, and

b. can it be counted?

The Temporarily Stopped

4.4 Since 1948 the published unemployment statistics have shown temporarily stopped workers as a separate group but they have been included in the figure of the total registered unemployed. The "temporarily stopped" are defined as registered persons who, on the day of the count, are capable of and available for work; who are suspended from work by their employer but are expected to resume work with the same employer; and are regarded as still having a job. Some are on short time, losing perhaps only one day's work in the week; others are laid off continuously for several weeks, e.g. as a result of shortage of materials. Some are in receipt of substantial wages - a worker on short time may nevertheless earn more than the national average; others get nothing at all from their employers and, apart from having a job to which they hope to return, are indistinguishable from those whose employment has been terminated. Temporarily stopped workers may be paid unemployment benefit for days on which they get no payment from their employers provided they satisfy the conditions of entitlement.

4.5 The numbers of temporarily stopped workers identified in the monthly unemployment count have fluctuated widely from under 10,000 to several hundred thousand, although the latter figure has only been reached at times of exceptionally bad weather conditions (as in the winter of 1963) or time of acute national crisis such as the power crisis earlier this year. Although the numbers obviously tend to
rise during economic recessions they are liable to erratic fluctuations since the causes of temporary disruption of production are many. The numbers attributable to particular causes are not separately identified and there would be considerable practical difficulties in attempting to do this. Where necessary some information can be obtained from the Department of Employment's Regional Organization in response to specific enquiries but it tends to be descriptive rather than statistical in nature.

4.6 In several respects the number of temporarily stopped is an unsatisfactory figure and its inclusion in the unemployment total can be highly misleading:

(i) as already indicated it covers a very wide range of circumstances and degrees of unemployment and these will, in the nature of things, vary sharply from one count to another;

(ii) whereas the snapshot method of counting the register on a particular Monday produces a typical picture of the jobless, the incidence of short-time working may be such as to make the count on any particular Monday quite untypical of the extent to which workers are temporarily stopped.

(iii) because workers on short-time would not register at all unless they could get unemployment benefit and they can only get unemployment benefit by satisfying a complex set of rules. These rules favour short-time working with Friday and Monday as days off. It also follows that where the short-time working cannot be arranged in such a way that unemployment benefit is payable (e.g. where shorter hours are spread over the full week or where a guaranteed week
agreement is in force) workers do not come on to the register. Although they may in fact be unemployed on the day of the count they will not be included in the total.

It is evident therefore that while the extent to which workers are on short time or are temporarily laid off may be a matter of some economic, social and political importance, the monthly count does not in fact supply a reliable indication of it. The count of the temporarily stopped is in short a by-product of the unemployment benefit rules and not an accurate index of a particular form of under-employment.

4.7 The Working Party considered the possibility of attempting to define the temporarily stopped in such a way that workers on short time for one or two days in the week are excluded, or alternatively to compile and publish statistics about the extent of short-time working and temporary lay-off from sources other than the monthly count such as the published monthly employment returns for manufacturing industries, but these are not regarded as practical propositions.

4.8 Ordinary people regard "unemployed" as being synonymous with "jobless", and the inclusion of the temporarily stopped in a total of "registered unemployed" clearly exaggerates the extent of unemployment in the public mind. The Working Party therefore recommends that the figures for the temporarily stopped should continue to be published in Section 3(1) of the National Insurance Act, 1966.
the Press Notice but should not be added to the wholly unemployed (i.e. the jobless) so as to give a figure described as the total registered unemployed.

The Short-Term Unemployed

4.9 It will be convenient in this part of the report to cover not only those who when leaving their previous jobs (or when joining the register) know they have a job to go to, but also the very large group who, although they do not know at the time they register for employment that they will get a job quickly, in fact do so.

4.10 The existence of the short-term unemployed is important because it indicates a degree of mobility which is essential to the working of the economy. It is evidence of the way the economy is constantly adjusting to meet changing conditions and requirements, partly by the shift of labour resources from declining sectors of the economy to expanding sectors and partly because individuals often change their jobs for a variety of personal reasons unconnected with the level of the demand for labour.

4.11 As an index of social distress the number of people in this group is less important than those unemployed for longer periods, since the period of unemployment of all its members is short and in many cases voluntarily undergone. However it must be recognised that there are individuals within the group who suffer repeated short spells of unemployment.

4.12 There are, therefore, sound arguments for treating this group in some way separately within the unemployment register, and the Working Party considered how this should be done. In general, it is not
possible to identify those on the register at a particular time who will obtain employment within a given period in the future. Clearly this is true of those who have not found or been found work on the day of the count. Of those who have found or been found work at the time of the count though they have not yet commenced employment, some, and in particular those who have been placed in work by the local office, can be identified, but others, including many who find work for themselves, cannot be identified. Moreover, it has to be remembered that corresponding to those who, though unemployed, have a definite job in prospect which they will shortly take up, there are those who, though in employment, are under notice of termination and will shortly become unemployed.

4.13 There are two basic ways of approaching this problem - through the development of flow statistics which could show the total movements on and off the unemployment register in between monthly counts, and by speeding up and giving greater publicity to some elements of the duration figures which analyse the numbers on the register at a given date according to length of their current spell of unemployment.

4.14 The Department of Employment has collected information since 1966 about the numbers of adults joining the unemployment register each month and about corresponding totals on the register at the beginning and the end of the month. It follows, therefore, that the total leaving the register each month can be inferred. The information has been collected mainly as a management tool for measuring the workload falling on the individual employment exchanges, but it has produced some useful statistics of flows on and off the register. A special article describing these statistics and what they show will be published recently in the Department of Employment Gazette (September 1972 issue).
4.15 Although, for various technical reasons, coverage of these statistics differs slightly from the published statistics about the numbers of adults registered as unemployed, it is sufficiently close for the flow statistics described above to be taken as a reasonable approximation of the flows which generate the monthly changes in the published levels of registered unemployed adults. It would be difficult, however, to include the current flows in the unemployment Press Notice, mainly because figures have to be extracted clerically and cannot be provided in time for them to be included in the unemployment Press Notice. The figures also give rise to some difficulties of presentation due to the fact that they vary considerably from month to month - partly because of the varying interval between monthly counts (sometimes 4 weeks and sometimes 5 weeks), and partly because the average flows per week on and off the register are themselves highly variable.

4.16 The statistics published in the Department of Employment Gazette about the numbers of persons on the unemployment register analysed by duration of their current unemployment spell also provide some indication of movements on and off the register between monthly counts; but these analyses show the position of the unemployment register on a particular day each month and cannot therefore indicate the full extent of movements on and off the register, because large numbers of registrants both join and leave between successive monthly counts. Moreover, it would be extremely difficult and costly to produce the full detailed duration statistics in time for publication in the Press Notice, which appears on the tenth day after the count but only four working days after the figures have been finalised.

4.17 However, the Working Party felt that it was of great importance to
provide some indication in the Press Notice of the dynamic nature of
the unemployment register. There are, for example, over 300,000 adult
registrants joining and leaving each month, and in a typical year the
Employment Services place about 1½ million persons in jobs. The
significance of these facts is largely obscured by the nature of the
monthly statistics which present only a snapshot of the position on a
single day. Ideally, it would be desirable to give full analyses
showing the number of persons joining and leaving the unemployment
register and the numbers being placed each month, but this is not
possible because of the administrative difficulties outlined above.

4.18 However, the Working Party recommends that two particular pieces
of information should be included in the Unemployment Press Notice.
The first of these is the number of persons who, at the time of the
count, have been on the register for 4 weeks or less. This figure
can be obtained in time for the Press Notice by special priority
procedure. The Working Party also recommends that a standing paragraph
should be included in the Press Notice saying that there is a large
turnover on the unemployed register which varies between 300,000 and
400,000 each month. Neither of these figures would, however, meet
the original aim of quantifying the short-term unemployed.

Students

4.19 During the past few years it has become apparent that significant
numbers of adult students are registering for temporary jobs during
vacation, mainly between July and September of each year but also at
other vacation periods. The numbers were first separately identified
in July 1971, and a peak of 36,400 students registered as unemployed
during the 1972 summer vacation. Students join the unemployment register
for two main reasons. Firstly, it is common practice for students to work during vacations - in some cases to support themselves and in others to provide money for holidays, etc. - and secondly, there are some who may qualify for social security benefits (for example, those with dependants) and such students are required to sign the unemployment register during vacations as a condition of eligibility for benefit.

4.20 It has been suggested that such students might be excluded altogether from the published unemployment figures. The arguments which have been put forward in favour of this suggestion are:

(a) Students seeking vacation work have not yet fully entered the labour force. They should be regarded as "economically inactive" and should not be counted as unemployed.

(b) Students do not depend upon employment for financial support throughout the year.

(c) The jobs sought by students are of a temporary or seasonal nature.

The contrary arguments are set out below:

(d) Although it is true that students are not seeking permanent employment, there are many others on the register who, although not identified separately, are in a similar category to the students because they seek only temporary employment, e.g. married women whose availability for work is limited by domestic circumstances, and casual or seasonal workers including many construction workers.

(e) There is no reason to suppose that students who register during vacations are any less in need of jobs than many others on the unemployment register, except in the sense that
they only need employment for certain months of the year.

(f) Students are competing for work with others on the register.

(g) Students who find work are included in monthly statistics of the numbers employed. It would be illogical to include them in the total labour force if they find work but not if they try and fail.

In view of these latter arguments, the Working Party considers that the students should continue to be included in the figures of total unemployment. However, they are in some ways a special category and should continue to be identified separately, as at present.

4.21 It may be observed at this point that it would not be practicable to identify a separate group of "persons seeking permanent employment". This would depend on what is meant by "permanent". Most people on the register are primarily concerned in finding a job and do not know how long they will stay in it.
It was a condition for 'covenanted' insurance benefit from 1921 to 1924 and for 'standard' unemployment insurance benefit from 1929 to 1930 that the claimant should be 'genuinely seeking work'. This condition came to have emotional overtones, was extremely unpopular and was difficult to define and apply in practice. Normally, claimants were expected to produce evidence of employment they had sought.

In 1929 the Morris Committee, examining the functions of insurance officers, and the nature of the evidence to be required as to the fulfilment of the conditions, reported that it was not possible to prescribe the nature of the evidence which claimants should be required to furnish to prove that they are 'genuinely seeking work'. They recommended that the words 'genuinely seeking work but unable to obtain suitable employment' should be abandoned, and that instead of having a condition the test should be by way of disqualification (a) if a claimant has refused an offer of suitable work; or (b) if there is evidence that suitable work is available and he fails to prove that he has made reasonable efforts to obtain such work. The Unemployment Insurance Act 1930, coming into force in March 1930, repealed the 'genuinely seeking work' condition and substituted provisions for disqualification where the claimant refused, without good cause, an offer of suitable employment or failed to carry out any reasonable written directions given to him by the employment exchange.

The very great practical difficulties about defining and applying a test of 'genuinely seeking work', and the emotional associations of the words would make it impracticable to apply it again as a condition for unemployment benefit. The difficulties of definition would make it almost as difficult to find objective criteria for identifying those 'not genuinely seeking work' in the unemployment statistics.
Considerable attention has been given in recent years to men who although below the normal retiring age of 65 have retired from their lifetime employment with a pension from their employers. Such occupational pensioners can and do sign the unemployment register, and the last count in January 1971 showed that approximately half the men on the register aged 60-64 had an occupational pension. Currently, therefore, about 60,000 occupational pensioners aged 60-64 are likely to be registered as unemployed. It is estimated that about half of these are receiving unemployment benefit, and of the remainder about 10,000 are likely to be receiving supplementary benefit and about 20,000 will be receiving National Insurance credits but no social security benefits (see para. 3.8). (It should, of course, be noted that not all occupational pensioners on the unemployed register are well-off. Some are receiving a pension at a level which, even if it makes them ineligible for supplementary benefit, is too small to affect their attitude to further employment.)

In 1966 Ministers felt that public concern, as evinced by press criticism, Parliamentary Questions and letters forwarded by MPs, were such that the question of whether there should be additional conditions for receiving unemployment benefit and crediting contributions for unemployment for occupational pensioners should be referred to the National Insurance Advisory Committee (NIAC). NIAC reported on this question in 1968 (Cmnd 3545, February 1968). The majority of the Committee concluded that there was no satisfactory way of distinguishing occupational pensioners who were "genuinely" seeking work from those who were not. They were nevertheless of the opinion that the normal conditions of entitlement to unemployment benefit and credits did not ensure that they were awarded only to those who were effectively in the field of employment. They therefore recommended the application of additional conditions to occupational pensioners generally, linked to the amount of their pension. A minority report by Lord Collison dissented on the grounds that payment of unemployment benefit should not be subject to a means test.
Draft regulations to implement the NIAC recommendations, but with rather higher and more beneficial limits, were prepared and were submitted to NIAC for comment in the ordinary way. They attracted an unprecedented volume of criticism by way of representations to NIAC, who, however, broadly endorsed their earlier view, with the same dissent from Lord Collison. Substantive regulations were introduced in 1970 but, at the time of the General Election, these had not come into force. Soon after the change of government, the Secretary of State for Social Services announced the withdrawal of the regulations, saying, however, that he saw no other way of dealing with this problem, but that he considered that it should be embodied in primary legislation to be considered by Parliament.

Provisions for this purpose were included in the National Insurance Bill 1971, the main purpose of which was to uprate National Insurance benefits, but were deleted from the Bill against the advice of the Government in Standing Committee. Under these provisions claimants with occupational pensions above £30 a week would have had to pass a test of further work after retirement to qualify for benefit, and in all cases any benefit payable would have been reduced by the excess of the pension over £18 a week. At the time this would have excluded only a relatively small number (under 10,000), although it is likely to be increasing year by year, as more and more people qualify for higher pensions.

The Working Party, like the NIAC, sees no practical method of identifying those occupational pensioners receiving unemployment benefit and/or credits who are registering solely for these purposes and are not genuinely seeking work. It concludes, therefore, that they must continue to be included in the unemployment statistics while they continue under present legislation to receive unemployment benefit and/or credits.
4.30 Various commentators have suggested that the unemployment register contains people who can be described as 'unemployable'. There is no doubt that such people do exist and that this fact is supported by the experience of the Employment Services. Every employment exchange manager has people registered for employment who are exceptionally difficult to place in work and who seldom hold down a job for more than a week or two. They tend to be the elderly, unskilled and socially disadvantaged, but they may also be people who simply find it difficult to adapt themselves to the conditions of working life.

4.31 Whilst it is possible to point to individuals who are more or less 'unemployable' (see para. 4.47), they do not form a group with a simple set of objective characteristics enabling it to be distinguished with certainty from other groups. The characteristic of being difficult to place in work might be true of all the members of a group, but the reasons for it will vary widely between the individuals who make up the group. Some will be handicapped, mentally or physically; some will live in areas where there is little demand for their skills; some will not be 'genuinely seeking work' and will have successfully disguised the fact; and some will be 'unemployable' in the sense described in the previous paragraph.

4.32 It is clear from this that there is some confusion between the meaning of 'unemployable' as a description of certain characteristics of a person, and as a description of the 'employability' of a person in a particular labour market. It is this confusion which leads to the apparent contradiction that whilst some virtually 'unemployable' individuals can be identified, the characteristics of these individuals cannot be used as a basis for the definition of a wider 'unemployable' group. In short, the symptom is common to too many ailments to form the basis of a useful diagnosis.
4.33 There is a further distinction to be made between the use of the word 'unemployable' as a description of a group, and as applied to an individual. The Department of Employment has a duty to do its best to place in work everyone who is registered for employment insofar as this is possible, and it must therefore act on the assumption that everyone is employable. However, it is obvious that some individuals are more employable than others, and that employers are inclined to take a very selective view of the quality of registrants submitted to them.

4.34 The Working Party concluded that there is no case for attempting to distinguish an 'unemployable' group within the unemployment register. Such a statistic would be meaningless in either economic or social terms because, under the present organisation, it would consist only of the extreme cases. In any case, difficulties of definition are such as to make the proposition administratively impracticable.

4.35 The Working Party noted, however, that the Department of Employment proposes to mount a series of experiments, described more fully in Part 4.38, designed to show, inter alia, whether improved assessment procedures should be developed for certain groups with special employment problems—in particular, for disabled persons or for socially disadvantaged persons. If the new assessment procedures envisaged were eventually to be introduced on a wide scale, more-and-more-selective data about these groups of people with special problems would become available. These data would undoubtedly contribute to our understanding of these problems and might help to identify those who were particularly hard to employ; certainly, the data, which would derive from special assessment teams, including a variety of specialists, would be more objective than anything available at present. However, it is doubtful whether it would be possible or desirable to identify people as truly-unemployable. The primary aim of the improved assessment procedures would be to help place people with special employment problems in jobs and it would damage the proposed experiments

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The Department of Employment maintains registers of disabled persons, the primary purpose of which is to ensure that those on that register are given special assistance in finding suitable jobs, as prescribed under the Disabled Persons (Employment) Acts 1944 and 1958. In April 1972 the Disabled Persons Register included about 610,000 persons of which 91,000 were registered as unemployed. Of this latter figure 78,000 persons were classified as suitable for ordinary employment and were included in the published unemployment figures. The remaining 13,000 were classified as severely disabled and unlikely to obtain employment other than under special conditions. This group is excluded from the main unemployment series although the figure is published separately as part of the information about the Disabled Persons Register.

It is known that the statistics of registered disabled persons inadequately reflect the employment situation amongst disabled people. On the one hand there are many unemployed people, who are probably eligible to register as disabled people, but who, for a variety of reasons, do not in fact register as such. On the other hand there is evidence to suggest that there may well be as many registrable, but unregistered, disabled people in employment as there are registered disabled people in employment. Bearing these reservations in mind, it is certainly possible to identify registered disabled persons separately and the Working Party has considered whether it would be desirable to identify those unemployed registered
disabled persons who are not severely handicapped separately in the main statistics. However, most registered disabled persons are readily employable on their own merits given the right rehabilitation and vocational training and given help to find the right job; and it would be wrong to suggest anything to the contrary. It is true that some registered disabled persons at present classified as suitable for ordinary employment may be particularly hard to employ. These tend not only to be physically or mentally handicapped but also to suffer from other employment handicaps; for example they may be unskilled or socially disadvantaged. But it is not possible to identify such people separately. The Working Party has therefore concluded that it is desirable to continue to treat registered disabled persons for statistical purposes as at present, and to exclude from the main unemployment series only those registered disabled persons who are so severely disabled that they are unlikely to obtain employment other than under special sheltered conditions.

Apart from physically and mentally disabled people, the Department of Employment has in recent years grown increasingly conscious of a group of people who may be described as socially disadvantaged and who suffer from some social handicap that makes it particularly difficult for them to obtain suitable work. The Department has already concluded a small pilot study to see whether such people could be identified and helped through the provisions of a special resettlement service. The Department now proposes to mount a series of experiments designed to show, inter alia, whether a special resettlement service should be developed for socially disadvantaged people; whether, if so, it should be a separate service or combined...
with the present resettlement service for disabled people; and whether, either for
disabled persons, or for socially disadvantaged persons, or for both groups,
improved assessment procedures should be developed. If the new assessment proce­
dures envisaged were eventually to be introduced on a wide scale they would generate
new and selective data about socially disadvantaged people with special employment
problems which might make it possible to identify them more precisely and provide
some useful indicators about the economic and social significance of unemployment
amongst this group. However, any prospect of identifying a class of "socially
disadvantaged" any more precisely than that of identifying "the unemployable" or
those "genuinely seeking work" must lie well in the future.

Special Surveys of the Unemployed

It has been proposed by at least one commentator that special surveys of the
characteristics of the unemployed should be carried out annually. They should be
limited to people out of work for more than 2 months and should aim at identifying
those who are not fit for normal employment. These people should be taken off the
unemployment register and transferred to a separate register, to be treated as a
social problem rather than an employment problem.

In 1961 and again in 1964 the Ministry of Labour carried out surveys of the
characteristics of the unemployed. Local offices were asked to classify those on
the unemployed register under the following headings:

a. Should get work without difficulty.
b. Will find difficulty in getting work because of lack of
local opportunities.
c. Will find difficulty in getting work because present qualifications,
experience or skill are not acceptable to employers.
d. Will find difficulty in getting work on personal grounds, viz, age,
physical or mental condition, prison record, attitude to work,
colour, lack of English, restriction on availability, lack of financial incentive, non-members of trade unions or other reasons.

4.4 The summary of the first results of the 1964 survey (Ministry of Labour Gazette, April 1966) showed that out of the 237,000 men who were wholly unemployed in 1964, some 143,000 were classified as difficult to place on personal grounds. Nearly three-quarters of them were placed in this group because of their age or because of their physical or mental condition. But there were also 24,000 having difficulty because of their poor attitude to work.

4.42 These surveys were not repeated, although in 1970 the Department of Employment analysed in depth a sample of the disabled people who were on the unemployment register on 1 October in that year. The reason for this was partly because the surveys were enormously expensive in staff time but even more because it was found that the classifications involved a great deal of subjective judgement and varied from area to area. Whether a person was classified as "will find difficulty in getting work" depended not only on the characteristics of the person but also very much on where he was living. Several years later the National Institute of Economic and Social Research published an article criticising the validity of these surveys.

4.43 The Working Party considers that the 1961 and 1964 surveys were not satisfactory but that there is nevertheless a need for more information about the characteristics of unemployed people than is readily available at present. This deficiency may partly be remedied by better assessment procedures on the lines discussed in paragraph 4.32, if these are introduced on a wider scale, but the information available from these procedures will necessarily be limited.

4.44 The Working Party concludes that there is a case for setting up a Working Group to make detailed studies of the characteristics of the unemployed. It might
Direct its attention to this question without preconceived ideas about how the characteristics are related to the abstract and undefinable qualities with which we have been concerned in the foregoing paragraphs. Its terms of reference should include an examination of the objective criteria by which the unemployment register can be described—age, sex, duration of current spell of unemployment, time in last job, reasons for leaving last job, occupation, industry, past spells of unemployment, whether in receipt of occupational pension, value of pension, number of dependants, other sources of family income; and should further include an investigation of the sources of such information—National Insurance and Department of Employment records, Censal information, special studies (including the current research project on long-term unemployment being undertaken by the Department of Social and Administrative Studies at Oxford), National Incomes Survey, Family Expenditure Survey, General Household Survey etc— with a view to seeing how far the existing information from these sources can be built up into a comprehensive account of the characteristics of the unemployed; and, finally, how any further information which is necessary but not available from existing sources can be obtained. The Working Party recommends that such a Working Group should be established.

4.45 To summarise this section the Working Party has examined the various groups considered in paragraph 4.1 and concludes that without legislative changes all the groups mentioned (except the temporarily stopped) are properly included in the unemployed register. Many of the groups present insuperable difficulties of identification and those groups that can be identified—the temporarily stopped and students—are already shown separately in the Press Notice.
5.1 Previous sections of this report have been concerned with those criticisms of the published unemployment figures which suggest that the figures include persons who are not 'really unemployed'. Another criticism generally levelled at the unemployment statistics during recessionary periods is that the published figures exclude some people who are genuinely seeking work but are not registered as unemployed. An article in the Times of 2 March 1972 stated that between 1966 and 1971 the population aged 15 and over rose by 1,338,000 whilst the working population fell by 750,000. Thus, more than 2 million potential workers appeared to have dropped out of the labour force altogether, in addition to the increase of over 400,000 in the published unemployment figures. 

5.2 The estimate given in the Times was incorrect for the following reasons:

a. The figure of the increase of the population aged 15 years and over in the period 1966-71, quoted as 1,338,000 was apparently obtained by comparing the 1966 Sample Census results (which are known to have been an under-enumeration of the true population) with an official projection of the 1971 population which was made before the 1971 Census and was subsequently found to have been much too high (as was pointed out when the preliminary results of the 1971 Census were published in August 1971). The Office of Population Censuses and Surveys are not yet able to give a precise figure of the true change in population over this period, because the figures for 1966 are still being reconsidered in the light of the 1971 Census. However, the OPCS have informed us that the increase in the population aged 15 and over in the period...
was less than 300,000 and may have been no more than 200,000.

b.6: In 1966-71 there was a very large increase in the number of students with a corresponding fall in the numbers aged 15-24 who were working or seeking work. This, combined with a tendency to earlier retirement among men over 60, accounted for practically the whole of the fall in the proportion of men who were economically active. Activity rates for women over 25 continued to rise, exceeding earlier forecasts.

c.4: Thus there is no evidence from the Census that large numbers of people have dropped out of the labour force altogether. The only identifiable additions to the so-called "labour reserve", apart from those mentioned in b, consist of students and some 45,000 men who have retired between the ages of 60 and 65.

More detailed figures are contained in Annex B. Further analyses and comparisons with estimates of the working population derived from other sources cannot be made until the receipt of the next set of census results towards the end of this year, which will include in particular estimates of the numbers of self-employed in 1971. When these have been received, the Department of Employment proposes to publish a full article on this topic.

5.3 The conclusions in para. 5.2 are based mainly on the preliminary results of the 1971 Census and particularly on the apparent changes in the size of the total population and changes in the numbers who were economically inactive, i.e. those not in employment, seeking employment or waiting to take up a job. Among the economically active population the number of persons who described themselves as either seeking work or waiting to take up a job was larger than the number registered as unemployed. This also happened in the previous census in 1966 and there are two main reasons. Firstly, the Census figures include many who were sick, whereas the unemployment register is confined to those who are available for work. Secondly, the numbers who describe themselves as seeking work include many different categories, ranging from those who urgently need a job, to those who are only marginally attached to the labour force. Many in this last group do not take very active steps to find a new job and are not sufficiently concerned to register as unemployed. When estimating numbers in this category, it is necessary to deduct the numbers out of employment because of sickness, but this group cannot yet be identified from the provisional results of the 1971 Census. On the assumption that the numbers sick were approximately the same in 1971 as in 1966, it is very provisionally estimated that the numbers who described themselves as either seeking work or waiting to take up a job in April 1971, and who are neither sick nor registered as unemployed, amounted to some 100,000 males and up to
...females. These estimates are subject to revision when full analyses of the numbers sick become available. The figures can be contrasted with broadly comparable figures obtained from the 1966 census when some 100,000 males and 150,000 females described themselves as either seeking work or waiting to take up a job but were not registered as unemployed. It may also be mentioned that in 1966 nearly half the people in this category had already found a job and were waiting to take it up.

It is probably reasonable to assume that the group described in para 5.2b above is made up largely of the following categories, none of whom are seeking the help of the State employment services in finding a new job:

a. Married women who are not eligible for unemployment benefit because they have exercised their option not to pay National Insurance Contributions.

b. Occupational pensioners who (1) have a pension above the level at which they would be eligible for supplementary benefit and have not claimed unemployment benefit or credits; or (2) have exhausted their entitlement to unemployment benefit and are not continuing registration for credits only.

c. Persons above the normal retirement ages who are receiving State retirement pensions but are seeking work to supplement their incomes.

d. People who are unemployed for a short time between jobs and have either not bothered to claim benefit or know they will be disallowed under the current rules.

e. People who say that they are unemployed because they do not wish (for their own reasons) to reveal that they are employed.

In the case of women, a further factor is known to influence the figures. Many of the married women who state they are seeking work may be expressing a future intention rather than a current activity. In practice, they are more inclined to attach conditions to the work they are prepared to take - working hours to suit their domestic circumstances, ease of travel, the availability of...
nursery schools, and so on - and they can only be described as unemployed in a restricted sense. They are, rather, part of a labour reserve which can be activated when the conditions are right. This kind of labour reserve extends beyond those who may signify they are in some sense currently seeking work, and can apply to some of those women who would not describe themselves as currently seeking employment but who may be persuaded to take up employment given the right conditions. This may be true also of both men and women below the age of 20 and above the age of 60. When the demand for labour is slack, as at present, more young people than would otherwise be the case continue their education after statutory school-leaving age, and more of those over 60 elect to retire from employment. To some extent the return of a high demand for labour would encourage both more young people and more elderly people to enter or remain in the working population.

5.5 These considerations lead to the conclusion that any direct attempt to establish by census or survey the numbers who are in some sense out of work and seeking employment will include many different categories ranging from those who need work and are urgently seeking it, to those who are very marginally attached to the labour force and will only enter it under specific conditions of employment. There are clearly a considerable number of people, mostly women, who want employment but are not registered as unemployed, though the extent of their activity in seeking work is at present unknown.

Labour Force Surveys

5.6 Such criticism gives rise to the more fundamental consideration of whether there is a case for abandoning the present method of counting the registered unemployed and substituting periodic labour force surveys (such as those carried out in the United States, the German Federal Republic and elsewhere) to identify the basic groups among the economically active and economically inactive parts of
the total population. It has been argued that such surveys could provide a more comprehensive analysis of the real levels of the labour force, including the numbers seeking work but not registered for employment. It has also been suggested that labour force surveys could be used to obtain more information about the availability for work of certain fringe groups of employed or unemployed workers, for example, occupational pensioners.

5.7 Labour force surveys are sample surveys of households, and estimates derived from them are subject, therefore, to considerable sampling errors. Other difficulties in processing or interpreting the information obtained from such surveys can arise because of possible bias, and because it is not always obvious how to gross up the sample estimates. Nevertheless, labour force surveys can provide information which is not available from other sources, except where the relevant projects are covered in Censuses of Population. If based on adequate samples they can provide good estimates of national ratios and of changes in those ratios, e.g., for activity rates or the percentages seeking work. The amount of detailed information is limited by the sampling size and other considerations, and considerably less detail could be provided for individual regions than for the country as a whole.

5.8 The present unemployment statistics provide detailed monthly statistical summaries from approximately a thousand local employment exchange areas. Separate unemployment rates are published or made available for several hundred local areas (grouped where necessary into self-contained travel-to-work areas). Considerable importance is attached to the local area unemployment rates, which provide one of the main criteria for monitoring regional policies on unemployment and for classifying certain areas as Development or Intermediate Areas. Despite the criticisms to which they are subjected, statistics based on numbers on the unemployment register at employment exchanges have been reasonably adequate for
this purpose and, indeed, provide the only source from which frequent local area unemployment figures can be obtained. (The only other possible source for obtaining unemployment estimates for local areas is through the five-yearly censuses of population.)

5.9 For these reasons the information about unemployment obtained from labour force surveys would complement, rather than replace, the present detailed statistics of the registered unemployed. Inevitably, there would be difficulties in resolving or explaining differences between the employment and unemployment estimates derived from labour force surveys, and the national aggregates obtained from the present sources.

5.10 Some recent information of the kind provided by labour force surveys is becoming available to the United Kingdom. Preliminary estimates are already available from the 1971 Census of Population and, to a limited extent, from the General Household Survey, although the latter is a relatively small survey based on only 15,000 households a year. Preliminary results from the 1974 Census of Population seem apparent that population or household surveys are likely to produce estimates of numbers seeking work which would be in excess of the numbers registered as unemployed at employment exchanges, though some of these persons may be only marginally attached to the labour force.

Job in the census week, but who were not apparently registered as unemployed.

Since these figures represent the excess of the numbers reported as seeking work in the census over the unemployment register figures (after excluding from the former estimates of those out of work on account of sickness), it seems apparent that population or household surveys are likely to produce estimates of numbers seeking work which would be considerably in excess of the numbers registered as unemployed at employment exchanges. Data from the General Household Survey suggest that there are very few men in the prime working age groups who have for no apparent reason dropped out of the labour force, in the sense that they are neither in employment nor seeking work.
The Working Party concludes that while labour force surveys would not provide an acceptable substitute for the present unemployment series, they might be used in future to supplement the present information, by enlarging our knowledge of the labour force as a whole and of its component parts.

5.12 The EEC intend to mount a labour force survey in member countries in 1973 for the purpose of obtaining labour force statistics on a standard basis for individual member states. It is hoped that the United Kingdom will participate and that the survey will be addressed to about 100,000 households (approximately half per cent of the total). The survey will enable personal characteristics of the individuals in those households, such as area of residence, age, sex, marital status and nationality, to be compared with their economic activity during the survey week. The survey will distinguish those in employment and those unemployed and seeking work, and for the last group further questions will also distinguish the nature of the employment being sought, e.g., full-time or part-time work; regular, temporary or occasional work or self-employment. Further questions will seek to identify the circumstances under which employment is being sought, e.g., after leaving previous job for specified reasons, together with some details about the previous employment, if any. There will also be questions which distinguish between those officially registered as unemployed and others and whether the individuals are entitled to unemployment benefits.

5.13 The Working Party concludes that the proposed EEC labour force survey, together with the recently introduced General Household Survey, will provide valuable experience of the data which can be produced from these sources, and recommends that the use of labour force surveys should be considered further in the light of that experience.

Annual surveys of the size of the EEC survey would be very expensive, but it is
possible that the General Household Survey may be able to provide approximate annual estimates of the unregistered unemployed, which would be helpful in assessing overall labour resources and pressure of demand.
The influence of administrative and legal changes upon unemployment figures: recent changes

6.1 It is possible that administrative and legal changes affecting the operation of both the employment service and the payment of benefits have influenced unemployment statistics in the past, and that changes contemplated in the future may have distorting effects. Two recent major changes have been the introduction of the redundancy payments scheme in 1965 and the introduction of earnings-related unemployment benefits in 1966. A study made for the Department of Employment ("Effects of the Redundancy Payments Act": OPCS Social Survey Division, 1971) did not suggest that those persons who received redundancy payments were more selective in obtaining new jobs and remained longer on the unemployment register than other unemployed persons. 

Improvement of the employment service

6.2 Improvement of the employment service may reduce the length of time taken by registrants for employment to secure new jobs, which will help to reduce the high level of the unemployment register. On the other hand, however, a more efficient service may also attract on to the unemployment register some of those unemployed persons who were hitherto unregistered (see section 5). Thus, the Working Party found it impossible to assess the net effects of either past changes in the efficiency of the employment service, or of the improvements foreshadowed in "People and Jobs".

Proposed changes in National Insurance

6.3 Under the proposals in the White Paper "Strategy for Pensions", the present mixture of flat-rate and graduated contributions for employed persons and their employers will be replaced by wholly earnings-related contributions collected
through PAYE. National Insurance cards will no longer be used for employees. These changes are expected to come into operation in April 1973. Under the new arrangements, entitlement to unemployment benefit will be based on the attainment in the relevant income tax year of a specified level of earnings on which contributions have been paid (about one quarter of annual average earnings) and not on the payment of a precise number of weekly contributions. It will no longer be possible to require claimants for unemployment benefit to lodge their national insurance contribution cards at the employment exchange and these cards will not be available. The procedural implications of these changes have not to be worked out but it will be important to bear in mind that any weakening of the control of unemployment benefit claims will be reflected in higher unemployment figures. The reconstruction of the national insurance scheme (and the possible introduction of a tax-credit system) will also have important implications for the future structure and level of unemployment benefit. The effect of all these developments on unemployment statistics should be kept under review by the Departments concerned.

Conclusion

6.4 Whilst it seems impossible at the moment to predict the effect of any of the proposed changes in administrative organisation or legal provisions upon the size of the unemployment register, the Working Party considers that this aspect of the changes must be kept under review throughout the planning stages. This is necessary both to maintain the integrity of the series of unemployment statistics, and to give adequate warning to Ministers of their possible effect of changes upon the size of the unemployment register.
7.1 The recommendations made earlier in this report imply a simplification of the unemployment statistics. There would be a single aggregate - "the unemployed" - in which the temporarily stopped would not be included. The technical terms "total register" and "the wholly unemployed" would cease to be used; in the past they have given rise to a great deal of confusion (including the description of the total register as the "jobless", when in fact it includes the temporarily stopped who have jobs; and confusion of the wholly unemployed with so-called "hard-core" unemployment). The Working Party recommends that school-leavers and adult students seeking vacation work should continue to be included in the total of unemployed, though separate figures would be shown for each of these categories. Figures for the temporarily stopped should continue to be shown but quite separate from those relating to the unemployed. It is strongly recommended, however, that as the best indicator of the trend of unemployment, attention should continue to be focussed on the seasonally adjusted series of the unemployed excluding school-leavers and adult students seeking vacation work, as at present.

7.2 Tables containing analyses of unemployment, which at present are on varying bases, would in future relate to the single total of unemployed. The Working Party has noted these analyses in paragraph 2.8 and a fuller list is given in Annex A with examples of the way they shed important light on the structure and composition of the unemployed.

7.3 At present, the most urgently needed statistics are published in the Press Notice and more detailed analyses are published later in the Gazette. The Working Party has considered a number of alternative ways of expanding the information available when the Press Notice is issued to give a more complete and detailed picture of the unemployment register at the time when it attracts
greatest interest. It was considered that release of detailed information in a second monthly unemployment press notice published about 3 weeks after the count date and 3 weeks before data now appear in the Department of Employment Gazette would serve little useful purpose, because interest wanes after the initial impact of new monthly unemployment totals.

7.4 Ideally, it would be helpful if the present detailed analyses of unemployment by duration, occupation and industry for the current month, and additional information about other personal attributes of the unemployed considered in Sections 4 and 5, could be available at the time of issue of the press notice. They could then be used at that time for supplementary background information. However, under existing arrangements the detailed analyses of unemployment by duration, occupation and industry are prepared by computer processing of the returns made by over 1,400 employment exchanges and careers offices. Monthly analyses of unemployment by duration and by industry are usually available about 3 weeks after the count date, and the quarterly occupational analyses are available after about 6 weeks. Total summary unemployment figures are extracted from the main returns before despatch for processing and are aggregated clerically for presentation in the press notice some 10 days after the count date.

Expansion of the contents of this press notice to include details about duration, occupations or industries would necessitate an extension of these clerical operations. The costs of all but the most limited of such expansions seem prohibitive under the present system of data collection and collation, particularly at a time when local offices are already working under heavy pressure.
7.5 It will be possible, however, to provide the present and certain new analyses of additional characteristics of the unemployed very speedily if and when the unemployment register is placed and maintained permanently on a computer. Plans to do this are under active consideration within the Department of Employment and trials on a small scale have already taken place. There remain some difficulties to be overcome and it is unlikely that a system of this kind could be brought into operation in less than two or three years. Although the staff costs of such a system would probably be a little greater than those expended now on unemployment statistics and some capital outlay will be necessary, it would, if adopted, provide additional statistical analyses with far greater speed and flexibility than is possible at present.

7.6 The Working Party envisages that the monthly Press Notice will include figures of unemployment on the lines described in paragraph 7.1. In addition, it is suggested that it would be helpful to give more prominence to the separate trends of unemployment for males and females, to show the numbers who have been on the register for less than four weeks, and to explain that the unemployed are not the same people each month but that there is a very large turnover, with normally a closely similar number between 300,000 and 400,000 joining and leaving the register each month. This includes the large numbers who both join and leave the register within the same month and so do not appear in the monthly counts at all.

7.7 The Working Party also recommend that articles should be published from time to time describing the trends and structure of unemployment over longer periods.
**ANALYSES OF UNEMPLOYMENT CURRENTLY PUBLISHED IN THE DEPARTMENT OF EMPLOYMENT GAZETTE**

The following is a list of the analyses of unemployment which are published regularly in the Department of Employment Gazette, with recent references in each case. The Gazette also contains tables showing historical figures in the main national and regional series during recent years. Additional historical series are presented in the "British Labour Statistics: Historical Abstract 1886 - 1968" and in the annual Year Book of British Labour Statistics.

<table>
<thead>
<tr>
<th>Analysis Type</th>
<th>Frequency</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Regional analysis</td>
<td>Presented each month</td>
<td>July 1972, page 639</td>
</tr>
<tr>
<td>2. Local area statistics of un-employment</td>
<td>Monthly</td>
<td>July 1972, page 642</td>
</tr>
<tr>
<td>3. Industrial analysis</td>
<td>Monthly</td>
<td>July 1972, page 640</td>
</tr>
<tr>
<td>5. Analysis by age</td>
<td>Every six months in conjunction with duration analysis, published by region as well as nationally</td>
<td>August 1972, page 728</td>
</tr>
<tr>
<td>6. Occupational analysis</td>
<td>Quarterly in conjunction with similar analysis of vacancies unfilled, published by region as well as nationally</td>
<td>August 1972, page 712 and page 722</td>
</tr>
<tr>
<td>7. Entitlement to benefit</td>
<td>Quarterly</td>
<td>July 1972, page 629</td>
</tr>
<tr>
<td>8. Unemployment amongst coloured workers</td>
<td>Quarterly</td>
<td>July 1972, page 620</td>
</tr>
</tbody>
</table>

Summaries of the analyses by duration of unemployment, by occupation, and by industry are shown in the following tables.
<table>
<thead>
<tr>
<th>GROUP</th>
<th>NUMBER '000s</th>
<th>PERCENTAGE OF REGISTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily stopped</td>
<td>19.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Under 2 weeks' duration</td>
<td>137.2</td>
<td>16.5</td>
</tr>
<tr>
<td>2 - 4</td>
<td>73.8</td>
<td>8.9</td>
</tr>
<tr>
<td>4 - 8</td>
<td>92.1</td>
<td>11.1</td>
</tr>
<tr>
<td>8 - 13</td>
<td>80.5</td>
<td>9.7</td>
</tr>
<tr>
<td>13 - 26</td>
<td>123.7</td>
<td>14.9</td>
</tr>
<tr>
<td>26 - 52</td>
<td>139.3</td>
<td>16.8</td>
</tr>
<tr>
<td>over 52</td>
<td>164.0</td>
<td>19.8</td>
</tr>
</tbody>
</table>

Total register - unadjusted 829.4

- adjusted to take account of belatedly notified changes 822.8

of which school leavers 19.2
  adult students 28.6

* The length of time spent continuously on the unemployment register: full quarterly analysis.
REGISTERED UNEMPLOYMENT IN GREAT BRITAIN AT JUNE 1972:
ANALYSIS BY INDUSTRY GROUP

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>Thousands</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>15.6</td>
<td>(4.4)</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>19.3</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>289.6</td>
<td>(3.3)</td>
</tr>
<tr>
<td>Food, drink and tobacco</td>
<td>26.7</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Coal, petroleum and chemical products</td>
<td>15.1</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Metal manufacture</td>
<td>29.1</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Engineering and allied industries</td>
<td>137.2</td>
<td>(5.5)</td>
</tr>
<tr>
<td>Textiles, leather and clothing</td>
<td>35.6</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Other manufacturing industries</td>
<td>45.3</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Construction</td>
<td>121.3</td>
<td>(6.0)</td>
</tr>
<tr>
<td>Gas, electricity and water</td>
<td>9.9</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Transport and communication</td>
<td>46.0</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Distributive trades</td>
<td>36.2</td>
<td>(2.9)</td>
</tr>
<tr>
<td>Financial, professional and miscellaneous services</td>
<td>104.9</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Public administration and defence</td>
<td>33.4</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Others not classified by industry</td>
<td>85.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total (unadjusted)</strong></td>
<td><strong>801.7</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total after adjustment to take account of belated notifications in the week following the count</strong></td>
<td><strong>794.5</strong></td>
<td>(3.5)</td>
</tr>
</tbody>
</table>
Extremely detailed analyses covering 105 occupations for men and 65 for women are prepared (see, for example, pages 453-5 of the May 1972 Gazette). For simplicity, the following table is confined to four broad groups.

**TABLE III**

**SPECIFIC ANALYSIS BY OCCUPATION GROUP**

June 1972

<table>
<thead>
<tr>
<th>Occupation Category</th>
<th>Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative, professional and technical</td>
<td>45.7</td>
</tr>
<tr>
<td>Clerical</td>
<td>83.7</td>
</tr>
<tr>
<td>Certain engineering, construction, vehicle-building, woodworking and printing</td>
<td>82.2</td>
</tr>
<tr>
<td>occupations generally regarded as skilled</td>
<td></td>
</tr>
<tr>
<td>All other occupations</td>
<td>518.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>730.4</td>
</tr>
</tbody>
</table>
## Appendix B

### CHANGES IN THE ECONOMICALLY ACTIVE AND INACTIVE POPULATION 1966-71

(Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Males and Females (15 and over)</th>
<th>Males (15 and over)</th>
<th>Females (25 and over)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>15-24</td>
<td>25-59</td>
</tr>
<tr>
<td>1971 Census</td>
<td>40,950</td>
<td>19,523</td>
<td>13,958</td>
</tr>
<tr>
<td>1966 Census</td>
<td>40,044</td>
<td>19,039</td>
<td>13,965</td>
</tr>
<tr>
<td>1965 Census</td>
<td>40,641</td>
<td>19,360</td>
<td>13,860</td>
</tr>
</tbody>
</table>

### Change (1-2)

<table>
<thead>
<tr>
<th>Year</th>
<th>+ 909</th>
<th>+ 503</th>
<th>+ 455</th>
<th>- 21 - 68 + 302</th>
<th>+ 406 + 111</th>
<th>- 182 + 426</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+ 308</td>
<td>+ 218</td>
<td>+ 98</td>
<td>- 492 + 46 + 265</td>
<td>+ 97 + 55</td>
<td>- 357 + 392</td>
</tr>
</tbody>
</table>

### Change (1-3)

<table>
<thead>
<tr>
<th>Year</th>
<th>+ 274</th>
<th>- 197</th>
<th>- 61</th>
<th>- 84 - 12 - 28</th>
<th>+ 438 - 152</th>
<th>+ 488 + 91</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- 99</td>
<td>- 397</td>
<td>- 107</td>
<td>- 257 - 6 - 33</td>
<td>+ 297 - 188</td>
<td>+ 408 + 84</td>
</tr>
</tbody>
</table>

### Unadjusted

<table>
<thead>
<tr>
<th>Year</th>
<th>1,176</th>
<th>929</th>
<th>862</th>
<th>64</th>
<th>2</th>
<th>2</th>
<th>608</th>
<th>758</th>
<th>431</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,265</td>
<td>675</td>
<td>642</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>591</td>
<td>576</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>1966 Census</td>
<td>1,284</td>
<td>685</td>
<td>652</td>
<td>33</td>
<td>-</td>
<td>-</td>
<td>603</td>
<td>584</td>
<td>15</td>
<td>-</td>
</tr>
</tbody>
</table>

### Change (1-2)

<table>
<thead>
<tr>
<th>Year</th>
<th>+ 471</th>
<th>+ 254</th>
<th>+ 220</th>
<th>+ 34</th>
<th>+ 2</th>
<th>+ 2</th>
<th>+ 271</th>
<th>+ 182</th>
<th>+ 28</th>
<th>+ 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>+ 452</td>
<td>+ 244</td>
<td>+ 210</td>
<td>+ 31</td>
<td>+ 2</td>
<td>+ 2</td>
<td>+ 203</td>
<td>+ 174</td>
<td>+ 20</td>
<td>+ 4</td>
</tr>
</tbody>
</table>

### Males and Females

<table>
<thead>
<tr>
<th>Year</th>
<th>67.4</th>
<th>81.1</th>
<th>75.9</th>
<th>97.1</th>
<th>95.4</th>
<th>93.4</th>
<th>58.4</th>
<th>54.3</th>
<th>13.4</th>
<th>13.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966 Census</td>
<td>62.1</td>
<td>84.0</td>
<td>80.6</td>
<td>97.6</td>
<td>88.7</td>
<td>23.5</td>
<td>64.2</td>
<td>49.3</td>
<td>12.6</td>
<td></td>
</tr>
<tr>
<td>Change (1-2)</td>
<td>-0.7</td>
<td>-2.9</td>
<td>-1.7</td>
<td>-0.5</td>
<td>-3.3</td>
<td>-3.4</td>
<td>1.2</td>
<td>-5.8</td>
<td>-4.5</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

### Activity Rates Excluding Students

<table>
<thead>
<tr>
<th>Year</th>
<th>65.6</th>
<th>85.8</th>
<th>97.7</th>
<th>97.6</th>
<th>85.6</th>
<th>87.8</th>
<th>20.1</th>
<th>54.7</th>
<th>13.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971 Census</td>
<td>65.2</td>
<td>87.6</td>
<td>97.5</td>
<td>97.9</td>
<td>88.7</td>
<td>23.5</td>
<td>50.0</td>
<td>49.4</td>
<td>12.6</td>
</tr>
<tr>
<td>Change (1-2)</td>
<td>0.4</td>
<td>-1.8</td>
<td>-0.2</td>
<td>-0.3</td>
<td>-3.1</td>
<td>-3.4</td>
<td>12.2</td>
<td>45.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

---

**Notes:**
- (1) The "1966 Census adjusted" lines assume under-enumeration of 1.5%.
- (2) 1971 Census lines are the preliminary results and are expected to be revised. They have been adjusted for age grouping.

---

CONFIDENTIAL
### Analysis of Unemployed Register by Reference to Benefit Etc., Based on Count Made on 1 May 1972

#### In Receipt of Unemployment Benefit, without Supplementary Benefit
- Number: 343,479 (35%)

#### In Receipt of Unemployment Benefit, and Supplementary Benefit
- Number: 113,648 (12%)

#### In Receipt of Supplementary Benefit only
- Number: 255,051 (26%)
  - Unemployment Benefit exhausted: 148,361 (17%)
  - Unemployment Benefit not yet decided: 15,746 (2%)
  - Others: 91,574 (10%)

#### Getting No Benefit
- Number: 160,571 (19%)
  - Unemployment Benefit exhausted: 47,319 (5%)
  - Claim not yet decided: 48,635 (6%)
  - Married women (other than those with benefit exhausted or claim not yet decided): 13,626 (2%)
  - Others: 50,993 (6%)

#### Total
- Number: 872,749 (100%)

### Married Women Included in Figures Above

#### In Receipt of Unemployment Benefit only
- Number: 27,893 (3%)

#### In Receipt of Unemployment Benefit and Supplementary Benefit
- Number: 1,239 (less than 1%)

#### In Receipt of Supplementary Benefit only
- Number: 1,140 (less than 1%)
  - Unemployment Benefit not yet decided: 549 (0.6%)
  - Others: 591 (0.7%)

#### Getting No Benefit
- Number: 18,869 (2%)
  - Unemployment Benefit exhausted: 1,629 (0.2%)
  - Unemployment Benefit not yet decided: 5,829 (0.7%)
  - Others: 11,411 (1.3%)

#### Total
- Number: 52,458
### DISQUALIFICATIONS FOR UNEMPLOYMENT BENEFIT

<table>
<thead>
<tr>
<th>Week</th>
<th>No.</th>
<th>% of claims</th>
<th>No.</th>
<th>% of claims</th>
<th>No.</th>
<th>% of claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>21,203</td>
<td>.9</td>
<td>225,795</td>
<td>9.2</td>
<td>78,691</td>
<td>3.2</td>
</tr>
<tr>
<td>61</td>
<td>18,210</td>
<td>.7</td>
<td>234,346</td>
<td>9.4</td>
<td>82,618</td>
<td>3.3</td>
</tr>
<tr>
<td>62</td>
<td>16,790</td>
<td>.5</td>
<td>257,579</td>
<td>7.5</td>
<td>104,913</td>
<td>3.0</td>
</tr>
<tr>
<td>63</td>
<td>17,869</td>
<td>.5</td>
<td>230,131</td>
<td>6.8</td>
<td>101,322</td>
<td>3.0</td>
</tr>
<tr>
<td>64</td>
<td>19,938</td>
<td>.8</td>
<td>250,303</td>
<td>10.3</td>
<td>91,604</td>
<td>3.8</td>
</tr>
<tr>
<td>65</td>
<td>20,649</td>
<td>.8</td>
<td>266,026</td>
<td>11.3</td>
<td>94,532</td>
<td>4.0</td>
</tr>
<tr>
<td>66</td>
<td>18,782</td>
<td>.7</td>
<td>294,587</td>
<td>11.2</td>
<td>130,978</td>
<td>5.0</td>
</tr>
<tr>
<td>67</td>
<td>19,271</td>
<td>.6</td>
<td>351,480</td>
<td>10.7</td>
<td>175,045</td>
<td>5.3</td>
</tr>
<tr>
<td>68</td>
<td>22,760</td>
<td>.7</td>
<td>370,704</td>
<td>11.9</td>
<td>183,260</td>
<td>5.9</td>
</tr>
<tr>
<td>69</td>
<td>20,541</td>
<td>.7</td>
<td>391,023</td>
<td>12.6</td>
<td>188,601</td>
<td>6.1</td>
</tr>
<tr>
<td>70</td>
<td>19,909</td>
<td>.6</td>
<td>381,336</td>
<td>12.1</td>
<td>193,770</td>
<td>6.1</td>
</tr>
<tr>
<td>71</td>
<td>16,221</td>
<td>.5</td>
<td>279,234</td>
<td>7.8</td>
<td>156,931</td>
<td>4.4</td>
</tr>
</tbody>
</table>

These figures are of disqualifications by the insurance officer. A small proportion of the disqualifications are reversed on appeal.

The claims referred to are the annual total of new claims for benefit, including repeated claims by the same claimant in respect of separate spells of unemployment.
## Analysis of the Unemployed Register, Vacancies and Claims for Unemployment Benefit

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly average of wholly unemployed</th>
<th>Monthly average of wholly unemployed and temporarily stopped</th>
<th>Monthly average of vacancies notified and remaining unfilled at date of count</th>
<th>Total claims for unemployment benefit in year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>345.8</td>
<td>360.4</td>
<td>313.8</td>
<td>2,447</td>
</tr>
<tr>
<td>1961</td>
<td>312.1</td>
<td>340.7</td>
<td>220.3</td>
<td>2,439</td>
</tr>
<tr>
<td>1962</td>
<td>431.9</td>
<td>463.2</td>
<td>196.3</td>
<td>3,451</td>
</tr>
<tr>
<td>1963</td>
<td>520.6</td>
<td>573.2</td>
<td>317.2</td>
<td>3,396</td>
</tr>
<tr>
<td>1964</td>
<td>372.2</td>
<td>350.6</td>
<td>317.2</td>
<td>2,436</td>
</tr>
<tr>
<td>1965</td>
<td>317.0</td>
<td>328.8</td>
<td>317.2</td>
<td>2,364</td>
</tr>
<tr>
<td>1966</td>
<td>330.9</td>
<td>359.7</td>
<td>370.9</td>
<td>2,633</td>
</tr>
<tr>
<td>1967</td>
<td>330.9</td>
<td>359.5</td>
<td>249.7</td>
<td>3,275</td>
</tr>
<tr>
<td>1968</td>
<td>321.0</td>
<td>364.1</td>
<td>274.3</td>
<td>3,147</td>
</tr>
<tr>
<td>1969</td>
<td>549.4</td>
<td>559.3</td>
<td>284.8</td>
<td>3,098</td>
</tr>
<tr>
<td>1970</td>
<td>502.2</td>
<td>603.4</td>
<td>259.6</td>
<td>3,159</td>
</tr>
<tr>
<td>1971</td>
<td>758.4</td>
<td>806.8</td>
<td>176.1</td>
<td>3,570</td>
</tr>
</tbody>
</table>

Total claims are the annual total of new claims as defined in Annex D

---

**Department of Employment**

**Department of Health and Social Security**
MEMBERSHIP OF THE WORKING PARTY

Chairman
- Mr A R Thatcher — (Department of Employment)

Department of Employment
- Mr C A Larsen
- Mr R S Forward
- Mr R Ash
- Mr D G Storer
- Mr R M Hobsbaum

Central Statistical Office
- Professor C A Moser
- Mr R E Beales

H M Treasury
- Mr A D Roy

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- Mr S B Kibbey
- Mr A G Beard
- Mr F E Whitehead

Department of Trade and Industry
- Mr T S Pilling

Secretaries
- Mr A B Martin — Department of Employment
- Mr R I Armitage

Alternates attended where necessary and other members were co-opted to deal with specific subjects.