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C.C. (59)  
8th Conclusions

Copy No. 32

CABINET

*CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W. 1, on Thursday, 12th February, 1959, at 5.30 p.m.*

Present :

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister

The Right Hon. R. A. BUTLER, M.P.,  
Secretary of State for the Home  
Department and Lord Privy Seal.

The Right Hon. D. HEATHCOAT AMORY,  
M.P., Chancellor of the Exchequer.

The Right Hon. The EARL OF HOME,  
Secretary of State for Commonwealth  
Relations.

The Right Hon. JOHN MACLAY, M.P.,  
Secretary of State for Scotland.

The Right Hon. VISCOUNT HAILSHAM,  
Q.C., Lord President of the Council.

The Right Hon. IAIN MACLEOD, M.P.,  
Minister of Labour and National  
Service.

The Right Hon. LORD MILLS, Minister  
of Power.

The Right Hon. HAROLD WATKINSON,  
M.P., Minister of Transport and Civil  
Aviation.

The Right Hon. GEOFFREY LLOYD, M.P.,  
Minister of Education.

The Right Hon. JOHN HARE, M.P.,  
Minister of Agriculture, Fisheries and  
Food.

Dr. The Right Hon. CHARLES HILL,  
M.P., Chancellor of the Duchy of  
Lancaster.

*Secretariat :*

Mr. B. ST. J. TREND.

Mr. I. P. BANCROFT.

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1. The Cabinet had before them two notes by the Chancellor of the Exchequer (C. (59) 20 and 22) about the farm price review, 1959-60.

*The Chancellor of the Exchequer* said that actual farm output and income had fallen in 1958-59 and the public cost of agricultural support had been reduced by comparison with the previous year. But, on the basis of statistics adjusted to allow for variations in weather conditions, both the income and the output of the industry had risen in 1958-59. There was thus no case for an increase in the level of support for 1959-60: indeed, there were grounds for a reduction—which could, without infringing the long-term assurances given to the industry, amount to as much as £19 millions. While a decrease of this magnitude would be impracticable, the objective of the current review should be twofold—first, to offset, in terms of the guarantees, the £6½ millions which represented the estimated benefit to the industry of the schemes for assistance to small farmers recently approved by the Cabinet; second, to achieve a further net reduction in the level of the guarantees of the order of £4½ millions. For this purpose it would be necessary, in addition to reducing the guarantees for wheat, wool and eggs on the lines proposed in C. (59) 22, to secure a reduction of ½d. a gallon in the guaranteed price of milk. This reduction was in any event desirable on its merits. Liquid milk production in the previous year had shown a significant excess over requirements, and increased costs had been offset by a gain in efficiency. If there were no reduction in the guarantee, normal conditions in the following year might produce an embarrassing surplus of milk production in the spring of 1960. The consumer, rather than the Exchequer, would gain from a reduction in the guaranteed price: and the effect on the cost-of-living index would be favourable. The Government's proposals at the opening of the discussions with the National Farmers' Union should therefore be so framed as to ensure that the outcome of the subsequent negotiations would include a reduction of ½d. a gallon in the guaranteed price of milk.

*The Minister of Agriculture* said that, in his view, it would be unwise for the Government, after taking credit for the schemes for assistance to small farmers, to insist on a reduction in the guarantees to a figure lower than their level in 1958-59. The adverse weather of that year had resulted in a substantial fall in actual farm output and income and, if the current year's settlement was not to be imposed by the Government but agreed with the industry, the level of support should remain unchanged. Moreover, it would be premature to reduce the guaranteed price of milk. There was some evidence of a switch from milk to beef production; and, if this tendency were further encouraged by a reduction in the guaranteed price, it might well result in a future shortage of milk. The present price should therefore be maintained, although the question might be re-examined at the time of the next review.

Discussion revealed that it was the general view of the Cabinet that the level of support in 1959-60 should be the same as in 1958-59, subject to a reduction of £6½ millions in respect of the small farmers' schemes. There might be advantage in opening discussions with the National Farmers' Unions on the basis of a reduction in the guaranteed price of milk; but this proposal need not be pressed if it evoked opposition. It might also be desirable to dispense with the proposed reduction in the guaranteed price of wool. This would provoke ill-feeling, particularly in Scotland. But it might be embarrassing for the Government to refrain from pressing for this reduction in the light of their declared policy as regards the guarantee for wool.

## The Cabinet—

- (1) Agreed that agricultural support in 1959–60 should remain at the same level as in 1958–59, after account had been taken of the benefit derived by the industry from the schemes for assistance to small farmers.
- (2) Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Scotland and the Minister of Agriculture, to decide the detailed adjustments of the guaranteed prices which would be required to secure this objective in the discussions with the National Farmers' Unions.

Education.  
(Previous  
Reference:  
C.C. (58) 82nd  
Conclusions,  
Minute 4.)  
Voluntary  
Schools.

2. The Cabinet had before them a memorandum by the Minister of Education (C. (59) 19) discussing the increased financial assistance which it would be desirable to make available to denominational schools in pursuance of the policy outlined in the recent White Paper on Secondary Education.

*The Minister of Education* said that he proposed two changes in the existing system of grant aid. First, the rate of grant should be increased from 50 per cent. to 75 per cent. Second, although it was out of the question to pay grant on all new schools, the scope of the grant should be extended to include such new secondary schools as were required to match existing aided primary schools of the same denomination. The cost of these measures would average rather less than £2 millions a year for 20 years.

He had discussed the proposals, confidentially and without commitment, with representatives of the religious denominations, the teaching profession and local education authorities. Of the religious denominations, the Roman Catholics might have preferred a rate of grant of 100 per cent., applicable to all schools whether existing or new. But they accepted the proposals in principle as representing a substantial improvement on the existing arrangements. The Church of England also endorsed the increase in the rate of grant; and, although they had initially expressed doubt about the desirability of extending the scope of the grant, they now appeared to appreciate the unwisdom of appearing to stand in the way of educational progress. The Free Churches were opposed to both elements of the proposals; but there was reason to believe that they would ultimately acquiesce, although reluctantly, in arrangements on these lines. Opinion among the teachers and local education authorities was not unanimous; but the proposals had received a considerable amount of support and had not evoked opposition on any significant scale. It would therefore be desirable that, if the proposals were acceptable to the Cabinet, they should now be discussed in greater detail with the various interests concerned on the basis that they represented approved Government policy.

In discussion the following points were made:—

(a) The main benefit from the proposals would accrue to the Roman Catholics. The other denominations, particularly the Free Churches, might seek to make political capital out of this fact. It would be important that the proposals should be presented in the most favourable light from the point of view of the Church of England and should, if possible, be associated to some extent with the scheme which the Anglican authorities themselves had put forward.

(b) The existing denominational settlement confined the payment of grant to existing schools, and it would be desirable to avoid creating the impression that the extension of the grant to a limited number of new schools represented a radical change in the established practice. The principle involved, however, had been to some extent established in the Education Acts of 1936 and 1944, though primarily in the

context of the reorganisation of all-age schools. The present proposals should therefore be presented as far as possible as a logical extension of this earlier concession and as a means of continuing the process of reorganisation, which was still incomplete. From this point of view there would be advantage in drafting the necessary legislation, if possible, by reference to the earlier Acts.

(c) The rate of grant to denominational schools in Northern Ireland was 65 per cent.; and the Government of Northern Ireland might be embarrassed if the rate of grant in Great Britain was increased to 75 per cent. On the other hand, grant was paid in Ulster to all denominational schools, both existing and new; and the Government of Northern Ireland were likely to appreciate that the wider scope of their grant would offset the higher rate of grant which it was proposed to pay in Great Britain to a more limited range of denominational schools.

(d) The proposals had been communicated confidentially to the leaders of the Opposition parties who had expressed their general concurrence. They need not, therefore, become an issue of party political controversy; and there might be advantage in ensuring, if possible, that the necessary legislation was enacted during the lifetime of the present Parliament.

The Cabinet—

- (1) Approved in principle the proposals in C. (59) 19.
- (2) Invited the Minister of Education to continue to negotiate with the interests concerned on the basis of those proposals and to report the outcome to the Cabinet in due course.
- (3) Authorised the Minister of Education to arrange for the necessary legislation to be drafted.
- (4) Agreed to consider at a subsequent meeting the appropriate time for the introduction of this legislation.

*Cabinet Office, S.W. 1,  
13th February, 1959.*

E.R.