

PO-CH/NL/0205

PART B

PART B

CWEX

Lawson

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PO -CH /NL/0205



PART B

CHANCELLOR'S PAPERS ON
TOP SALARIES REVIEW BODY
(TSRB) PAY ISSUES

Begin: 3/2/88

DD: 25 years

Ends: 2/14/88 (CONTINUED)

[Signature] 11/9/95

PO -CH /NL/0205

PART B

my

FROM: R B SAUNDERS
 DATE: 3 FEBRUARY 1988

CHIEF SECRETARY

cc **Chancellor**
 Paymaster General
 Sir Peter Middleton
 Mr Anson
 Sir T Burns
 Dame Anne Mueller
 Mr Kemp
 Mr C W Kelly
 Mr Odling-Smee
 Miss Peirson
 Mr Turnbull
 Mr R I G Allen
 Mr Gilhooly
 Mr Pickford
 Miss Evans

*Ch/ you may like to see**upw
8/2*

TCSC: NURSES PAY

1. You asked for a line to take on the stories in this morning's press that the Government evidence to the Nurses Pay Review Body recommends an increase of 3%. I have agreed the following with DHSS.

- The Government evidence argues that this year's pay award for nurses should go for a more targeted approach to the problems than the across-the-board increases paid in past years. Two aspects in particular.
- First, implementation of clinical grading review (agreed with unions before evidence prepared) which will allow new and better career structure for nurses, and greater recognition of skill and responsibilities.
- Second, flexibility for managers to respond to local labour market difficulties, including ability to pay substantially more to nurses in London.
- Evidence states that average earnings need to rise by just under 3% in order to compensate for price rises over the last year, taken with tax reductions in 1987 Budget.

- Evidence makes no recommendation about increase to be applied over and above clinical grading review and London etc allowances. That is a matter for the Review Body to make recommendations in the first instance.
- [IF PRESSED on provision for pay increases in PEWP] No pay assumption in 1988/89 plans. General inflation assumption (GDP deflator) 4.5%. In addition, reasonable to expect health authorities to make some contribution to excess costs from cost improvement programme (expected to yield an extra £150m). But not prepared to give a figure for what can be accommodated within plans.

Background [NOT FOR USE]

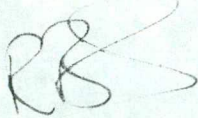
Mr Newton is being briefed to tell the Review Body that pay increases of up to 6% could be accommodated within the plans: 4½% GDP deflator, plus [1½% or £65m] a contribution from the CIPs. Since the clinical grading review will cost (on DHSS figures) about 3%, and the London supplement 1%, that leaves about 2% - broadly in line with the year-on-year increase in the TPI (1.9%) - for a general increase before recourse to the Reserve becomes inevitable.

The written evidence to the Review Body says:

"A continuation of low inflation and the tax reductions in the 1987 Budget means that pay rises of just under 3% would compensate the average earner for price rises over that last 12 months."

(The figure of 3% is out of date: it is the November-November increase in the TPI, not the December one. We pointed this out to DHSS, but they did not take it on board for the written evidence, though Mr Newton's briefing for this morning gives the up-to-date 2% figure.) The evidence goes on to refer to "a relatively modest cost of living increase" for uprating the new pay scales from 1987-88 to 1988-89 levels.

Taken together, these statements could imply a 3% increase. But this is to ignore the very substantial increases which many are in line to get as a result of the clinical grading review and the London allowance. In London, many staff nurses will be going onto a scale with a maximum 22% higher than at present, and a few will get up to 42%.



R B SAUNDERS



FROM: MISS M P WALLACE

DATE: 3 February 1988

MR de BERKER

cc PS/Chief Secretary
Mr Kemp
Mr C W Kelly
Mr Gilhooly
Ms Seammen
Mr Saunders

BRIEFING FOR NO.10: IMPLEMENTATION OF REVIEW BODY RECOMMENDATIONS

As I mentioned to you, No.10 have asked us to provide a factual note setting out, for the years 1974 to 1979, what the TSRB recommendations were, and how (and when) the Government implemented them. I should be grateful if you could provide this by close tonight.

2. I understand that No.10 have commissioned similar notes from DHSS and MOD on the Review Bodies they deal with.

M.P.W.

MOIRA WALLACE

MR de BERKER

cc PS/Chancellor
PS/Chief Secretary
PS/Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Gilmore
Mr Kelly
Mr Gilhooly
Ms Seammen
Mr Saunders

At the risk of straying outside my present patch, could I suggest that the Treasury is allowed to look at the DHSS and MOD contributions (for the DDRB and NRB, and the AFPRB) alongside the TSRB, before any great use is made of the assembled material. It is important that it is used on a consistent basis. By the same token what is provided for the years 1974 to 1979, should be used consistently with later years' material, which No 10 presumably already have.



FROM: A C S ALLAN
DATE: 3 February 1988

pay

MR SAUNDERS

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Dame A Mueller
Mr Kemp
Mr C W Kelly
Miss Peirson
Mr Turnbull
Mr Gilhooly

NURSES PAY: MEETING WITH SIR JAMES CLEMINSON

The Chancellor was most grateful for your minute of 27 January and the brief for his meeting with Sir James Cleminson.

2. Sir James was trying hard for a proper restructuring, but was concerned about the costs of the clinical grading review. Your minute gave the costs as adding about 3 per cent to the pay bill: his view was that it would add at least 5 per cent, before any allowance for grade drift. He was planning to sound warnings against grade drift in his report.

3. He had been disappointed in the support provided by DHSS, and in particular in their inability to provide any up-to-date figures at all on recruitment and retention.

4. Because of the delay in getting Government evidence, he would not be in a position to report before end-March, though he would probably have firmed-up his conclusions somewhat before then.

ACSA

A C S ALLAN

RESTRICTED

FROM: A G TYRIE

DATE: 9 FEBRUARY 1988

CHANCELLOR

Handwritten red notes:
~~to be discussed~~
at meeting.
AGT

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Call

NURSES PAY

According to the Standard, attached, COHSE are planning a co-ordinated day of protest on March 14. This may succeed in disrupting budget presentation to some extent. On the other hand, it may, of course, go over the top. Definitely an opportunity for Labour, if they have the wit to take it.

AGT.

A G TYRIE

Standard 9.ii 88

Back our protest, says health union

NURSES leaders are trying to persuade other unions to take up their fight for more money for the NHS by staging sympathy action in support of health workers.

The Confederation of Health Service Employees

by Tony Maguire

today announced plans for two more days of protest in the next month as part of a co-ordinated campaign to put pressure on the Government.

And there was clear evidence that the next wave of disruption is being carefully

stage managed—in contrast to last week's "spontaneous" walkouts by nurses.

The next COHSE day of action is planned for next Tuesday and the union's London co-ordinating committee today called on workers outside the health service to back their campaign.

London regional officer Pete Marshall said COHSE was requesting unions outside the NHS to hold meetings on February 16, inviting COHSE workers to address them.

He said: "We realise that it is only workers with economic power who can change this Government's policies and they should come to the aid of the health service."

The London-wide day of action will "involve various forms of action" and some branches will be ballotted on strikes, said COHSE.

A second, national, day of protest on the eve of the Budget is also being organised by COHSE. That "co-ordinated day of protest" planned for March 14, provided all health workers with an opportunity to show their concern about the NHS crisis, said the union's general secretary Hector McAkenzie.

The union has produced its own "Charter for the NHS" which calls on Chancellor Nigel Lawson to pump an extra £2.5 billion into the health service.

That would still leave him room to cut 2p off income tax but would rule out a 4p cut, which COHSE believes he may be considering.

REVIEW BODY RECOMMENDATIONS AND DECISIONS 1974 TO 1978 vs. 1979 TO 1987

1974 to 1978

Of course the record in 1974 to 1978 was good.

- in three of the five years - 1974, 1976, 1977, the Government determined the Review Body recommendations in advance, through incomes policy. Increases well below inflation (eg. 1977: inflation at 17½%, Doctors and Dentists got £208 a year: 2½%)
- so only in 1975 and 1978 were there genuine independent recommendations. And what happened?
- For April 1975 Doctors and Dentist's recommended 30%, savagely staged to halve the value to them that year. (15% vs. RPI at 21.7% and TPI at 26.2% that April)
- In 1978, the recommendations for the Armed Forces, TSRB were cutback to 10 per cent because of incomes policy. The DDRB wanted to recommend more than 10 per cent, but made recommendations in line with the incomes policy.

(A) 1979 to 1987

- This government set the Review Bodies free and independent to make the recommendations they thought right. No rigging the result through incomes policy.
- We have staged awards where that was right to protect service levels, but only in-year^{since 1980 times} and making sure that people were kept up to date.
- We have honoured the NPRB awards. (Paid in full from the due date in 1984 and 1987; from delayed date in 1985 and 1986). No backlog of awards to Nurses.

CONFIDENTIAL

- discussed in draft 2/12*
1. MR C W KELLY
 2. CHANCELLOR OF THE EXCHEQUER

Not a fix a salary assessment. Ms.

FROM: J F GILHOOLY
DATE: 11 February 1988

cc. Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Miss Peirson
Mr Turnbull
Mr Saunders
Mr Tyrie
Mr Call

Ch/ I don't think this takes us very much further - written from a fairly narrow anti-change point of view that doesn't take account of ^{either} enormous political difficulties in Feb-April under current system — which will recur each year unless we do something

or the operational problems of Health Authorities.

NHS: TIMING OF REVIEW BODY REPORTS

1. At your meeting on Friday, you asked us to consider the pros and cons of shifting the date of the NHS review body reports to earlier in the year so that, although the settlement date for the increases would be continue to be 1 April, the decisions would be known at the time the Health Authorities were drawing up their budgets.

2. The shift could not be made this year. The NPRB does not believe it can report before April. The advantage of announcing now a change from 1989 onwards would arise from showing that the Government was responding to the concerns that the Authorities were expressing so vigorously about uncertainties over planning. Moreover, announcing the change would provide one way of ring-fencing any decision to make a pledge this year on funding pay increases for nurses in advance of the publication of the NPRB report and the Government's decisions on implementing them. The pledge would be justified, inter alia, on the basis that it was an exceptional step [in a transitional year] to remove uncertainties for the Health Authorities, uncertainties which would not recur once the reporting date had been shifted. It would also mean that nurses would not have to wait until a month or two after their settlement date for their pay

Does it?

3. The effectiveness of the ring-fence depends on the strength of the argument that uncertainty over funding the pay awards is actually damaging the Health Authorities' planning, and thereby disrupting services. This argument is running

mpw 12/2

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very strong in the current public debate. But we would accept that there is something in the argument on merits, too, though not very much. There is very much less in it than the mileage the Health Authorities and others are getting out of it at the moment; and certainly not enough to justify the statements about ward closures which some Health authorities have been making.

Health? phase 14 says not Feb, in Stan # Kasnala. what is this?

but this to disappear

4. To meet the Health Authorities' budgetting timetable, decisions would have to be announced around end January in the run up to the Budget and shortly after the PEWP was published but before the PEWP debate. To give Ministers the opportunity to consider the recommendations, that would mean the reports would have to be received by No.10 some weeks before - say 1 January. That would mean that the target date for Government written evidence and the always well-publicised union evidence would have to be during September, rather than, as at present, around the beginning of December. This would have the drawback that the evidence for increases to take effect from 1 April in the following year would be out of date, by three months, compared with the present arrangements. It would also make nurses pay a media issue in the closing period of the Survey and in the run up to the Autumn Statement (although not of course necessarily as lively an issue as it is this time).

07

but at least the money wd be paid from 1 April

5. Still on timing, a shift in the reporting date justified as being to help NHS budgetting would mean a fairly fixed date for the Review body announcement. One of the advantages of the present system is that it gives the Prime Minister considerable flexibility over timing, allowing account to be taken of parliamentary pressures and events elsewhere eg. on the pay front. (Since 1979, the date of the announcement has usually been in May or early June, but has varied from 23 April in 1987, to 7 July in 1980.) Although there would be scope for a little variation from end-January as the date of the announcement under the new system, it would strain the logic of a link with Health Authorities' budgetting to delay the announcement to or beyond the Budget. Worse it would risk institutionalising a major public expenditure announcement at Budget time. (There is a variant: to go for announcements before the Easter Recess. The justification would have to be not a link with Health Authorities' budgetting, but reducing the period of uncertainty for them. But that would shift the evidence timetable forward too, making it likely that the Government and staff side evidence would be going in and attracting press comment very close to the Autumn Statement. And it might be hard to explain why having accepted a move in the reporting date, it had not

Not fractly giving us the flexibility we need now!

What is the risk?

Not attractive, surely

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been moved back far enough to solve the Health Authority budgetting problem.) indeed.

6. There are other aspects which need to be considered.

7. First, and most importantly there is the effect on the pay scene generally. Police, firemen, the NCB and the local authority manuals have autumn settlement dates, but the rest of the major public service groups have settlement dates from 1 April onwards to the end of the round in July. Most of the important private sector service sector settlement dates fall in the period from 1 January onwards. If, as has typically been the case, Review Body recommendations and decisions are higher than the Government is looking for in the public sector and in the economy more generally, it would be unhelpful to bring the announcement forward from around May-June (the recent pattern) into the first quarter of the year when the pattern of the pay round has still to firm up. This would be doubly so at times when the announcement was coupled with the provision of additional finance.

8. Second, there is the question of the other Review Body reports. It would be hard to resist the logic of moving the reporting date for Doctors and Dentists and for PAMs back to the same time as the report for Nurses. Although not as important as nurses, their pay is a substantial chunk of the NHS budgets. The same budgetting argument would run for the AFPRB. (MOD would be bound to press hard for that if it were conceded to meet NHS budgetting problems: they have genuine problems of their own.) A budgetting problem of this sort does not arise for the TSRB. However, on presentational grounds, there would be arguments for sticking with a "Review Body Announcement Day" rather than splitting the NHS groups off for separate treatment. It is a reasonable assumption that for a few years to come the NPRB will normally be making larger recommendations than the other Review Bodies. Be that as it may, it helps to be able to contrast the decisions made on nurses' pay with the decisions made for the other Review Body groups. There is however a special case for keeping the TSRB announcement to later in the year. The Lord Chancellor's salary is linked to that of the Lord Chief Justice, and the salary order needed gives an opportunity for a debate on the Review Body decisions (cf. 1985).

9. Third - though we would not put too much weight on this compared with the other timing problems - a gap of several weeks between the announcement of a decision and its actual implementation date would be unattractive. That might

more convincing,
but again - compare it to
the fun Govt facing at moment

! why?

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just encourage a bit more fuss in years when the Government decided to implement Review Body reports less than fully by staging or abating them.

Autumn date and Two year settlements

10. Shortly before your meeting, Mr Forman minuted you suggesting that the settlement date for the DDRB and NPRB should be put back to the autumn and that there should be two-year settlements.

11. Simply moving the operative date to the autumn would not improve our ability to forecast NHS expenditure. At present, we get the Review body reports early in the financial year, and are thus liable to be faced with a large in-year bid on the Reserve. But the effect can be mitigated by staging. And we are able to take full account of the knock-on effects into the following years from the early stages of the Survey. Putting the operative date for pay awards back to the autumn would still leave us with in-year bids on the Reserve - although of smaller amounts, since they would cover only 4-6 months rather than a full year. But the uncertainty that health authorities already experience in planning their expenditure for the coming year would be greatly increased. But although the amount at stake would be smaller, having a decision late in the year would increase uncertainty. Thus the benefit for the planning year would be secured at the expense of the current year. Also, the later year effects would have to be taken on board at a very late stage in the Survey; if the reports were delayed, this might turn out to be very difficult for the Survey timetable.

12. An autumn date is also unattractive from a pay point of view. It would put the medical groups alongside the police and firemen at the start of the round - with possibly unfortunate "pace-setting" consequences. And managing the shift would be tricky: there would be either a six month settlement (so that doctors and nurses got two rises in the same year) or an eighteen month one - which would no doubt turn out 50% higher than it would otherwise have been.

13. As Mr Forman suggests, another way of getting greater certainty into the figures for next year would be by the introduction of two year settlements (or, rather, two separate awards covered by one report). That way, we would only have an argument about use of the Reserve every other year, instead of annually. But it would be even more difficult to resist year 2 proposals than we now find it

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to resist those for year 1. It would be especially awkward if the Review Bodies went in for back-end-loading, with an unattractive rising trend for the increases. And there might be pressures to re-open settlements if inflation turned out higher than expected. It is difficult to predict how they would play things. Nonetheless, I would not advise ruling out this as an option for the future. Given reasonable recommendations, there would be attractions in two year settlements if they could be made to stick without reopening.

SUMMARY

14. The advantages of shifting the reporting date (but not the settlement date) to mid-February were set out in paragraphs 2 and 3 above. They are largely about the handling of this year's pressures, although there is some advantage too for the Health Authorities in the longer-term (although they feel more strongly about this than we think is justified). That argument apart, the long-run considerations point against the change. The most important points are the reduced flexibility which the Prime Minister would have; that the timing of the evidence and the announcement would be brought permanently adjacent to the Autumn Statement and the Budget; and the worsened timing vis-a-vis the pay round.

15. All that said, there is a holding option which might be useful; not to pledge a shift of reporting date, but to undertaken to explore with the NPRB the possibility of changing the reporting date. This could be coupled with or without commitment exploration with the Review Body of what other steps could be taken to ease the problem for NHS budgeting. (That could cover, though it need not be announced, the option of two year settlements.) It would be necessary, in any case, to consult Sir James Cleminson about any change to the Review Body's timetable. The consultations could not be done very quickly.

16. The above has been agreed with ST and GEP and DM have been consulted about the AFPRB point. We have not, of course, consulted DHSS, MOD or No.10.



J F GILHOOLY



11/2/88

**NOTE OF A MEETING HELD IN THE CHANCELLOR'S ROOM AT THE TREASURY
AT 11.30 ON FRIDAY 5 FEBRUARY**

<u>Present:</u>	Chancellor	Mr R I G Allen
	Chief Secretary	Mr Gilhooly
	Financial Secretary	Mr Saunders
	Paymaster General	Mr Cropper
	Economic Secretary	Mr Tyrie
	Sir T Burns	Mr Call
	Mr Anson	
	Mr Kemp	
	Mr Kelly	
	Miss Peirson	

NURSES' PAY

The Chancellor said that, in general, the Treasury had been successful in deferring all questions of additional expenditure on the NHS until the later stages of the current review. However, the Government was being pressed to say whether the nurses' review body recommendation would be implemented in full, and - particularly - if it would be funded in full. There were press stories of health authorities closing wards as a precaution against the costs they would be expected to meet. Ministers wanted to consider whether it would be desirable to make some announcement earlier than end-April, and if so what.

2. Mr Kemp said that the provisional costing in his minute of 29 January probably understated the likely extra cost of a 10 per cent recommendation - which he would now put nearer £300 million. The Chancellor said that he suspected the recommendation might be slightly higher, at around 11 per cent, once inflation, the clinical grading review, London Weighting etc. had been taken into account. This would add a further £40 or £50 million to the "underfunding" figure.

3. The Chancellor said he saw no realistic possibility of



doing anything other than implementing the review body recommendations in full, and funding in full. It would not be possible politically to collect the £20 million from the cost improvement plan that had been earmarked for pay in the survey. However, full implementation and full funding would be difficult presentationally: it would be seen as a reversal of the tough line that had been taken so far; and it might encourage medical review bodies in future to make higher recommendations without fear that high pay bills would have to be offset elsewhere within health service budgets. The Chancellor said that, at the TCSC, Mr Higgins had argued that an early announcement about funding need not be "a blank cheque": the Government would be committed to fund fully any award it agreed to, but would not have undertaken to accept the Review Body's recommendation. This would be consistent with the Prime Minister's statements. Mr Anson expressed concern that any announcement of this kind would cut across the arguments which had been used to justify the abandonment of volume planning. Miss Peirson pointed out that there were some weaknesses in the operational arguments for early announcement about funding: Health Authority Treasurers had already been told that they would have to earmark half of the yield of the cost improvement programme for pay. However, the Chief Secretary pointed out that as they had been told on a confidential basis, they would not necessarily have told their Chairmen.

4. Mr Gilhooly said that it might be possible to ring-fence generosity on the nurses' award by linking it explicitly with the clinical grading restructuring. The Paymaster General agreed that it would be important to stress this link to avoid losing the principle that part of the cost improvement programme should be earmarked for pay. The Economic Secretary said that he felt that an announcement that the Government would fund whatever it accepted would immediately reopen the question of whether the Government



would accept what was recommended. The Government would effectively have signed a blank cheque, but would still end up being criticised for its planned meanness.

5. Sir T Burns said he viewed the prospect of an early announcement about funding with some concern. He was not confident that this generosity could be ring-fenced, and in principle it was not good to upset the established mechanisms for dealing with public sector pay. It must be quite obvious to everybody that the Government was bound to fund the award in full: there was advantage in doing this in the right and proper way. The Chancellor said that he too was concerned about the security of the ring-fencing. He was reluctant to do anything that would give the impression that the Government was "on the run".

6. The Paymaster General thought that some of these concerns could be met if the timing change could be agreed in advance, and announced at the same time as the decision to fund in full: the problem could therefore - by definition - never recur.

7. Mr Saunders said that he was preparing advice on the timing question: there were a variety of expenditure control reasons against review body reports in November. The Chancellor pointed out that it would not be necessary to advance the timetable to that extent: a report in January or early February for implementation at the beginning of April would let health authorities know where they stood in good time for their budgeting round. There were arguably advantages in bringing all review body reports forward to January.

8. Mr Tyrie said that if there was to be an early assurance about funding he saw advantage in delaying it until the Budget: there was a chance that the issues of nurses' pay and health spending generally would become even more closely linked in the public perception than now, so to move on both issues at Budget time might kill two birds with one stone. On the other hand, Mr Kemp pointed out that it could be worse to wait, if the general pay scene looked worse by then.



9. The Chief Secretary doubted whether it was politically feasible to delay an announcement about funding of nurses' pay awards until after the Budget. But to make an announcement in the Budget would fuel demands for other expenditure measures to be included in future years. The least undesirable option might be to give some indication in the PEWP debate that the Treasury would be prepared to entertain a claim on the Reserve to meet the cost of implementation; that the nurses' review body awards had almost always been treated in this fashion; and that it would be entirely premature for health authorities to plan ward closures etc to offset likely costs of review body settlement.

10. The Chancellor said that the critical element of the whole package was the idea of bringing forward review body announcements. Proposals should be worked up, which would then have to be discussed with the Prime Minister and colleagues. The disadvantages of announcing full funding for nurses' pay this year would be eased if we could ensure that the operational/timing problem would not recur. The PEWP debate might then be the vehicle for two items of good news: the change in the date of review body reports, allowing health authorities to take this into account in budgeting, and an indication in principle that the Government would fund fully whatever award was implemented. There would then be a good "line to take" in advance of the Budget.

11. It was agreed that ST and Pay would look again at the question of the timing change. It would also be necessary to consider the precise form of words that the Chief Secretary might use in the PEWP debate.

A handwritten signature in cursive script, appearing to read 'Moira Wallace'.

MOIRA WALLACE

11 February 1988

Distribution: those present
Sir P Middleton
Mr Turnbull



FROM: CHIEF SECRETARY

FROM: 15 February 1988

CHANCELLOR

cc: Paymaster General
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Kemp
 Miss Peirson
 Mr Turnbull
 Mr C W Kelly
 Mr Gilhooly
 Mr Saunders
 Mr Tyrie
 Mr Call

Ch/ we are fixing a meeting
 for Wednesday afternoon

Good!

mpw
 15/2

NHS: TIMING OF REVIEW BODY REPORTS

Mr Gilhooly's note of 11 February helpfully clarifies the issue and concludes that the case for moving the Nurses Pay Review Body report/announcement to end-January has short term advantages but more compelling long-term disadvantages.

2 But none of the long-term disadvantages seem knock down arguments to me. I am not attracted to the 'holding option' in paragraph 15 of 'exploring' a change of reporting date. It is neither fish nor fowl and we should make up our minds now.

3 The argument about uncertainty in budgeting is being overdone by the health authorities - Mr Gilhooly is right. But it has been hugely successful for them - a complete stunner in fact - and will run each year unless we close it out.

4 I remain attracted to an end January announcement and would accept the bunching of other Review Body reports notably for Doctors, Dentists and PAMS.

John Major

PP JOHN MAJOR

(Drafted by the Chief Secretary + signed in his absence).

~~1. Jube (papers for~~

BF in meeting folder

FROM: MOIRA WALLACE ^{THE}
DATE: 15 February 1988

MR GILHOOLY

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir T Burns
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Miss Peirson
Mr Turnbull
Mr Saunders
Mr Cropper
Mr Tyrie
Mr Call

NHS: TIMING OF REVIEW BODY REPORTS

The Chancellor has seen your minute of 11 February. He will hold a short meeting on this. This office will be in touch to arrange details.

Handwritten signature of Moira Wallace, appearing as 'mpw.'

MOIRA WALLACE

3. Currently Health authorities are setting 1988-89 budgets. It appears from what was said that even giving some weight to the nudges and winks that have already been given over Review Body award funding there are some very unpalatable decisions having to be made which are likely to increase the political pressures on Ministers. This, we are assured, is not just some kind of anecdotal or "feely" view; it is based on the first results of a hard nosed detailed exercise carried out by two members of the NHS Management Board on an authority by authority basis of their plans. This work is not completed yet, but is as I say starting to give indications; preliminary conclusions should be available around the end of February or thereabouts. DHSS officials clearly think that it will provide a strong case for Mr Moore to seek additional Health Service funding for 1988-89, over and above what he will already be seeking in respect of the Review Bodies (and on that, it is clear that they are going to be looking for full funding of the excess of whatever is given over existing provision; they argued that the earmarked cost improvement programme savings would all be needed for the Whitley Groups). But this is what we expected.)

4. In discussion with DHSS we identified their ideas on a framework for decisions etc on NHS funding in respect of 1988-89, from here on in, thus :-

a. Stage 1. This would be some indication, given in the next couple of weeks or so (that is, before the Budget) that the Government were looking at the authorities budgets etc as they were coming up for 1988-89, and that a conclusion of some kind would be reached and announced when these had been considered. This of course would commit the Government to giving more money for 1988-89 on top of the pay money.

b. Stage 2. This takes place about the middle to end of April, when the Review Body Reports have come to hand and decisions both on degree of acceptance and funding have been taken; when those decisions are announced would not we want

to wrap them all up together? A statement is made about the review of budgets at (a) and something said about additional funding from the Reserve (additional to what has been given in respect of the Review Bodies).

c. Stage 3. This is the upshot - probably interim only - of the fundamental review, to be announced before the Summer Recess, which will not in itself, in DHSS view, involve spending (or saving) any more money in 1988-89,

d. Stage 4. This of course is the ordinary Survey process, leading up to announcements in the Autumn Statement of 1988, and relating to 1989 onwards, taking account of whatever may emerge from the announcement at Stages 2 and 3.

5. As a theoretical framework this is all very well, we told DHSS, and by its lights it recognises one or two of Treasury Ministers concerns - for instance the importance of not dribbling money out to the NHS, the importance of justifying up to the hilt any additional provision that is made, and the importance of respecting the statements about no additional funding for the NHS in or around the Budget. But, as we told them, it has some pretty obvious difficulties; very large additional sums of money were made available in the last Survey for 1988-89, and Ministers have taken considerable credit for them - can we say as soon as April that they have proved inadequate? At Stage 1 it would be difficult to make the case without simply seeming to cave in to the Labour Party attack and yet any announcement then would in fact be a post-dated cheque which would have to be honoured if it were to do the political and managerial trick. And at Stage 2 how can one make sure that any additional money which is provided other than for all or part of the shortfall on Review Body awards does not go straight into the pay of the non-Review Body groups (the Whitley groups)? And finally and crucially how can we be sure that this is the end of the road, and that there will not after all be a dribs and drabs approach with yet more money having to be found, or at least demanded, in the Summer or, as


last year, in December?

6. To be fair to them, DHSS accepted that these were all valid points, and they would all have to be teased out. But they were anxious that we knew the way they, and they suspected Health Ministers, were thinking if only so that it might be possible on a contingent basis to kick some ideas around just in case it did turn out that Ministers collectively (and we pointed out that the Prime Minister would be involved in this) did want to go for something like Stage 1 in short order. And there, indeed, the matter rests with us saying that we would report this encounter to you and that Miss Peirson and Mr Saunders would meet with DHSS shortly at a lower level to start to explore some of the material on the 1988-89 budgets which might be needed for a decision on whether to go down this sort of path. (But this work cannot get very far very quickly.

7. In the course of the discussion we mentioned the PEWP debate next Wednesday. The question, of course, is how far the DHSS idea of Stage 1 set out above is consistent or can be made consistent with the ideas that emerged at the Chancellor's meeting yesterday. The crucial question, it seems to me, is whether what you say in the debate on Wednesday relates just to the Review Bodies and their funding, or whether it also touches on what is described above as Stage 1; as opposed to taking Stage 1 separately from the PEWP debate at some later, but not all that much later, date. If neither of those are acceptable then the concept of Stage 1, even if it were acceptable on other grounds, gets very much more difficult.

8. It seems to me that all this is going to have to be the subject of a talk between you and Mr Moore in the very near future. When you get in touch with him over what you might say on Wednesday following yesterday's meeting he is bound to raise these thoughts. What I think Treasury Ministers need to do is to decide whether the political and managerial imperatives are such that we need a Stage 1 at all, and if this is in doubt, how soon a decision can be taken. If it cannot be taken before Wednesday, but we want to keep the option open, then we

have to decide what effect if any it has on whatever you say on Wednesday.
There are a variety of permutations on all this, and you may wish to
have a quick talk with some of us, before Mr Moore gets hold of you.

A handwritten signature in black ink, appearing to be 'E P Kemp', written in a cursive style.

E P KEMP

CONFIDENTIAL

FROM: J F GILHOOLY
DATE: 18 February 1988

- 1. MR KELLY
- 2. CHANCELLOR OF THE EXCHEQUER

Discussed in draft.

- cc Chief Secretary
- Paymaster General
- Sir P Middleton
- Mr Anson
- Dame Anne Mueller
- Mr Kemp
- Miss Peirson
- Mr Turnbull
- Mr Saunders
- Mr Tyrie
- Mr Call

Ch/On right lines now?

OK as per (check) 18/2

REVIEW BODY REPORTING DATES

I attach a draft minute to the Prime Minister along the lines agreed at your meeting yesterday. Preliminary soundings with DHSS officials suggest that Mr Moore would welcome the proposal.

- 2. ST, DM and GE are content.

J F GILHOOLY

CONFIDENTIAL

DRAFT MINUTE

FROM: Chancellor
 TO: Prime Minister
 COPIED TO: Secretary of State for Defence
 " " " Social Services
 " " " Employment
 " " " Scotland
 " " " Wales
 Lord Chancellor
 Lord President

REVIEW BODY REPORTING DATES

We are suffering a great deal of criticism at the present time as a result of

~~One of the factors with which our opponents have been making much play in the publicity war about recent fuss over the NHS has been the difficulties created for health authorities' budgetting by uncertainty about the size of the pay increases which nurses (and for that matter doctors and dentists) will receive from 1 April. A great deal of the pressure on us rests on the argument that because the Health Authorities cannot ~~delay~~ settling their budgets for 1988-89 until those decisions are known, they either have the plan for the worst, or risk having to make later adjustments to their spending in an unplanned and therefore wasteful way. This is being used on the one hand to press for a pledge in advance that we will fully fund the increases awarded; on the other to justify extreme measures, like planning to reduce the number of beds.~~

Our opponents have been making great capital out of

Other NHS unions both groups

Much

Such as

ward closures.

I do not, in this minute, wish to address the wider issues over the NHS and the way that this year's Review Body ^{recommendations} [reports] might be handled. But I have been giving some thought with John Major and other ministerial colleagues here to this narrower timing point. It deserves to be addressed on its merits.

The timing problem is clearly being blown up unreasonably by

[There is clearly no justification for the sort of claims which] some Health Authorities and the health unions are making. But I would accept that there

However exaggerated it may be, there is clearly

is some substance underlying the complaint. Clearly ^{it} would be easier for ^{them} the Health Authorities to plan rationally if they had a clear idea, before they

came to finalise their budgets around February, of ^{what the rates of pay for} ~~medical staff would be.~~ ^{They will have to find from their budgets how much they will have to allocate to pay.}

~~We cannot sensibly do that this year. But having looked at~~

~~We cannot give them that certainty by making a pledge that the costs of decisions on Review Body reports would be met from the Reserve.~~

~~But, having considered the issue carefully, both the ^{John Major} Chief Secretary and I believe that it would be desirable~~

~~possible to deal with the problem by bringing forward the date at which the Review Bodies reported and at which you announced decisions on them.~~

~~We should have to discuss with the Review Bodies, but a suitable timetable ^{might} would be to ask them to produce their reports in time for you to make an announcement ^{by the end of} around end-January.~~

~~Changing the date in this way would ^{carry some risks. Inevitably} have some disadvantages for the future.~~

~~In particular, it would reduce the flexibility over the timing of the announcement and set a fairly tight timetable for us to ^{observe in taking decisions on Review Body Reports in the future} make it more likely that decisions could appear~~

~~at times which were inconvenient in relation to other pay claims. But ^{having} weighed all this carefully, I have ^{no doubt} concluded that the balance of advantage~~

~~is firmly in favour of making the change. I would propose, too, that ^{as how} all the ^{various pay review bodies} decisions should be taken and announced together, which would imply changing~~

~~the reporting date for all the Review Bodies. ^[list them] But in all four cases, the implementation date would continue to be 1 April.~~

~~Clearly, the change could not be made until next year. But an early announcement ^{that we propose to make this decision, I believe, for} (eg. in the PEWP debate) would be of considerable advantage in present ^{very well received.} circumstances. We would of course need to give the Review Body chairmen ~~advance notice of what we intended.~~~~

grateful for your views, as for those,

I would be ~~happy to discuss.~~

In practice this would effectively amount to underwriting the Review Body recommendations in full, as we are bound to accept their recommendations unless there are clear and compelling reasons not to

of colleagues responsible for

~~I have copied this to~~

(post complete)

(NL)

CONFIDENTIAL



cc CST
PMG
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Miss Peirson
Mr Turnbull
Mr Kelly
Mr Gilhooly
Mr Saunders
Mr Tyrie
Mr Call

PRIME MINISTER

REVIEW BODY REPORTING DATE

We are suffering a great deal of criticism at the present time as a result of the difficulties created for health authorities' budgeting by uncertainty about the size of the pay increases which nurses (and for that matter other NHS Review Body Groups) will receive from 1 April. Much of the pressures on us rests on the argument that because the Health Authorities cannot settle their budgets for 1988-89 until those decisions are known, they have to plan for the worst. This is being used on the one hand to press for a pledge in advance that we will fully fund the increases awarded; on the other to justify extreme measures such as ward closures.

2. However exaggerated it may be, there is clearly some substance underlying the complaint. It would certainly be easier for Health Authorities to plan rationally if they had a clear idea, before they came to finalise their budgets around February, of how much they would have to find from their budgets for pay. We cannot sensibly do that this year. But having looked into the issue carefully, both John Major and I believe that it would be desirable to deal with the problem in future years by bringing forward the date at which the Review Bodies report and at which you announce the Government's response. We should have to discuss with the Review Bodies, but a suitable timetable might be to ask them to produce their reports in time for you to make an announcement by the end of January.

3. Changing the date in this way would inevitably reduce the flexibility of the timing of the announcement which we have at present, and set a fairly tight timetable for us to observe in

Lord Ch

Paul Stockton -
doesn't think good
idea -
to buzz when tenants view
may need chase

Wales

advice only, no
view from SoS: ^{what does} adv say -
will come back
(Mark Powell)

Scotland / may write
no objections

David to ring back

Defence

18 yr number
of adm problems

David Ball

Employment

Per to ring back
writing
support in prin

OME yr 1

will ring asap if
looks like real
objection.



taking decisions on Review Body reports/ in the future. But I have no doubt that the balance of advantage is firmly in favour of making the change. I would also propose that, as now, all the various pay review body decisions should be taken and announced together, which would imply changing the reporting date for all the Review Bodies (Nurses, Doctors and Dentists, Armed Forces and the Top Salaries Review Body). In all cases, the implementation date would continue to be 1 April.

4. Clearly the change could not be made until next year. But an early announcement that we propose to make this change would, I believe, be very well received.

5. I would be grateful for your views, and for those of colleagues responsible for pay review body groups.

6. I am sending copies of this minute to James Mackay, Peter Walker, George Younger, Norman Fowler, Malcolm Rifkind, John Moore, John Wakeham and to Sir Robin Butler.

Lord Stockton

(Andy Rinning)

not holding out against policy

Frances O'Rourke

Muir Wallace

Alison to ring back.

pp

N.L.

19 February 1988

(Approved by the Chancellor and signed in his absence.)

Carington 2 things - ① ask by Feb No 7

② this year hope by end-April

thought - ought to make contact to ①, if not ②

us to provide draft for Paul to send.

CHANCELLOR OF THE EXCHEQUER

FROM: J F GILHOOLY

DATE; 22 February 1988

cc. Chief Secretary
 Paymaster General
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Miss Peirson
 Mr Kelly (O/R)
 Mr Turnbull
 Mr Gieve
 Mr Saunders
 Mr Tyrie
 Mr Call

REVIEW BODY REPORTING DATE

1. When you see the Prime Minister this afternoon to discuss your minute of 19 February (attached) we understand she may ask you about having the NHS (and perhaps other) Review Bodies make reports covering two or three years rather than an annual report. Mr Forman had already suggested two year settlements (see paragraph 13 of my submission of 11 January).
2. Our advice is to agree that this is very worth exploring, but that no commitment to such a change should be made until the idea has been properly looked at.
3. The advantages of two or three year decisions on nurses' etc. pay are as follows.
 - i. They would give greater stability and certainty to the planning of health authorities, and to NHS managers, since the issue of pay would come up only every two or three years (although on those occasions there would be more at stake and possibly greater uncertainty).
 - ii. It would correct one of the drawbacks of the present system is that (for so long as the pay awards are to a substantial degree financed from the Reserve) the published plans show a slower growth in NHS expenditure than we know will be the case. Settlements two or three years ahead would avoid this understatement of plans.

iii. Having two or three years to consider when looking at the Review Body reports would give Ministers greater freedom over implementation, in particular the phasing of exceptionally large recommendations (eg. arising from structural changes).

4. The risks with going down this route are that

a. setting pay for two or three years ahead would reduce flexibility if labour market conditions or public expenditure pressures changed requiring a reining back on planned expenditure. In practice, it would be extremely difficult to reduce increases which had been announced. But upward pressures although much reduced would remain - eg. if earnings and/or prices took off in a way which devalued the increases agreed. There would need to be a clear and carefully designed set of rules about reopening, with the presumption that reopening would not be allowed.

b. there could be major difficulties for pay policy from the sort of recommendation the Review Body might make. Where the Government was seeking to signal a deceleration in pay settlements, large increases for nurses extending well into the future would be unhelpful.

5. Despite these risks, the proposal looks attractive. But it would need to be explored further (both with DHSS and the other Review Body departments, and with the Review Bodies themselves) before we went nap on it.

6. Certainly, there is no prospect of introducing the change for the 1988 reports: the earliest would be 1989. However, there is a question of what could be said publicly about the idea now. This is the sort of idea that is quite likely to be thought of independently, and put forward by someone outside Government eg. a Health Authority, or one of your backbenchers. There is therefore a presentational case for saying that this is something the Government is willing to look at without commitment, and will reach a decision on before the next Review Body round begins in the autumn. But it would be important to do this in a way which kept the option open of not going ahead if difficulties arose in talks with Departments or the Review Bodies.

7. ST and GE are content.



J F GILHOOLY

mpw
SECRET



FROM: MISS M P WALLACE

DATE: 22 February 1988

MR KEMP

cc Chief Secretary
Paymaster General
Sir P Middleton
Sir T Burns
Mr Anson
Dame A Mueller
Mr Kelly
Miss Peirson
Mr Turnbull
Mr Saunders
Mr Cropper
Mr Call

HEALTH FUNDING

The Chancellor was grateful for your minute of 18 February. He has commented that he is strongly opposed to Stage 1.

mpw.

MOIRA WALLACE

dti

the department for Enterprise

mmp

Sir James Cleminson MC DL
Chairman BOTB

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

**British Overseas
Trade Board**

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

CH/EXCHEQUER	
REC.	26 FEB 1988 ✓ 26/2
ACTION	MR GILHCOULT
COPIES TO	CST PMG SIR P. MIDDLETON MR ANSON DAME A MWELER MR H. PHILLIPS MISS PIERSON MR TAMBULL MR KELLEY MR SAUNDERS MR TYRE MR CALL.

Direct line 01-215 4934

Our ref

Your ref

Date *24/6* February 1988

✓

Dear Prime Minister,

Thank you for your letter of 24 February advising me of the changes which you wish to bring about in the future timetable for the Report of the Pay Review Body.

I totally understand the reasons for this decision and will look at the full implications. I spoke to the Chief Secretary yesterday and told him that I thought that, provided Government Evidence was presented on time, the target dates proposed by you should be achievable.

Individual members of the Review Body will, of course, have to see how this change in timetable fits into their own availability as, for instance, we are currently able to do a considerable amount of preparatory reading during the Christmas break, which will no longer be possible.

After consultation with the individual members and with the Office of Manpower Economics, I will report back as quickly as possible.

I should add that I mentioned to the Chief Secretary that it was my hope that my Review Body would be able to make up much of the time lost by the very late delivery on this occasion of Government Evidence.

I am sending a copy of this letter to recipients of yours, with the exception of the other Review Body Chairmen.

Yours sincerely

SIR JAMES CLEMINSON

James Cleminson

IG7AAH





10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

24 February 1988

Dear Sir James,

I am writing to you about the future timetable for the reports of the Pay Review Bodies.

We have recently been considering whether it would be possible to remove the uncertainty which employers of the review body groups currently face in having to finalise their budgets before the Government's decisions on the reports are known. We have concluded that, as from 1989, the timetable for the reports should be brought forward so that decisions on them can be made well before the beginning of the financial year to which they relate. I should therefore be most grateful if in 1989 and subsequent years your Review Body was able to submit its reports on the pay of nurses, midwives and health visitors, and of the professions allied to medicine in time for decisions on them to be made and announced by the end of January or, at the latest, by mid February. The Chief Secretary will be making an announcement about this in the course of the Commons Debate on the Public Expenditure White Paper later today.

I recognise that this change in timing will require revisions to the dates at which Government evidence is presented to the Review Bodies, and places a greater premium on the prompt delivery of that evidence. Officials will be in touch with the Office of Manpower Economics to discuss the details of the timetable for the submission of evidence and of the reporting dates to which the Review Bodies will need to work.

As far as this year is concerned there is of course no question of any change to the timetable to which you are already working. I am most grateful for the efforts you and your colleagues are currently making to deliver the reports in good time despite the complexity of the issues raised.

I am writing in similar terms to the Chairmen of the other Review Bodies, and I am sending copies of this letter to the Lord President, the Chancellor of the Exchequer, the Secretaries of State for Wales, Employment, Scotland, Social Services, and to Sir Robin Butler and the Director of the Office of Manpower Economics.

Yours sincerely

Margaret Thatcher

Sir James Cleminson, M.C., D.L.

CH/EXCHEQUER	
REC.	11 MAR 1988
ACTION	MR GILTOBY
COPIES TO	CST PMG
	SIR P. MIDDLETON
	MR ANSON DAME A MUELLER
	MR PHILLIPS MISS PIERSON
	MR TURNBULL MR KELLY
MR SAUNDERS MR TYRRE	
	MR CHAL

minute



10 DOWNING STREET
LONDON SW1A 2AA

my

From the Private Secretary

10 March 1988

Dear Geoffrey,

**FUTURE TIMETABLE FOR THE NURSES
PAY REVIEW BODY**

The Prime Minister has now had the further letter dated 8 March from Sir James Cleminson (enclosed). Although he says members of the Review Body will be able to change their diaries to carry out their work earlier in future, he raises some other potential problems about the new timetable. I should be grateful if, in conjunction with other departments, you could look into these points and let me have a draft reply for the Prime Minister to send Sir James by Thursday 17 March.

I am copying this letter to Alex Allan (HM Treasury), Nicholas Wilson (Department of Employment), David Crawley (Scottish Office) and Jon Shortridge (Welsh Office).

*Yours,
Paul*

(PAUL GRAY)

Geoffrey Podger, Esq.,
Department of Health and Social Security.

*So far as
the Review Body, it
will be too soon
on the 17th
to make a
reply, but
I will try to
get an answer
by the 17th.*



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

8 March 1988

Dear Prime Minister,

Thank you for your letter of 26 February about the future timetable for the Pay Review Body.

I have now consulted my colleagues on the Review Body and also the Office of Manpower Economics about the new arrangements. I am glad to say that, despite some initial diary difficulties, all my colleagues who will be serving for the next review are able to make themselves available for the earlier series of meetings which will be necessary later this year. Subject therefore to the evidence being submitted on time, I can confirm that we can meet the new timetable.

X | I do however see some other problems for the next review. I feel certain that, by the time we receive evidence from both Sides, it will be too early to judge the effects of the new clinical grading structure, which is of such importance in alleviating the recruitment and retention difficulties in nursing and midwifery. It may also prove difficult for NHS management to provide the necessary manpower and other information in time for us to prepare our report next year.

I am also concerned that in future years the statistical information available from Government sources at certain times in the year, notably the New Earnings Survey, may not be available in time for us to take it into account under the new timetable. In consequence, the information on which we base our recommendations on pay could be significantly out of date by the time they come into effect the following April. I very much hope therefore that it may be possible for at least those directly concerned to rearrange their own timetables for the collection and analysis of data so that our recommendations can be based on up to date evidence.

I can assure you, however, that we will do the best we can.

Yours ever

SIR JAMES CLEMINSON



Ch

FEBB's private secretary says Robin told him Pete had told him that you were content with Ibbotson to replace Plowden. Not yet clear exactly how misunderstanding arose.

Nigel will explain to PM that there has been a misunderstanding & will not mention anything out until he hears further from us tomorrow.

AA

APPOINTMENTS IN CONFIDENCE

CH/EXCHEQUER	
REC:	14 MAR 1988 ✓ 14/3
NAME	SIR P. MIDDLETON
REPORTS TO	

Ref. A088/810

MR WICKS

Next Chairman of the Top Salaries Review Body

In my minute of 28 January, I recommended that the Prime Minister should ask Sir Robin Ibbs to succeed Lord Plowden as Chairman of the Top Salaries Review Body (TSRB). The Chancellor of the Exchequer subsequently expressed doubts about this, and the Lord Chancellor, although he would have accepted Sir Robin Ibbs, had also hoped that someone better could be found.

2. When the Prime Minister saw Lord Plowden, she said that while Sir Robin Ibbs was not ruled out, she would want to think further about the matter.

3. Since then, I have considered alternative names and have had a discussion with the Chancellor of the Exchequer. I have also sought the views of the Lord Chancellor and the Secretary of State for Defence.

4. The requirements for this post are difficult to satisfy in one person. Ideally the person concerned should know Whitehall and the political world without being of Whitehall and the political world. Experience of salary determination in industry or commerce is a valuable asset. Experience on the TSRB is also valuable.

5. It is common ground that Sir Robin Ibbs is the only serious candidate among current members of TSRB. In looking at other names, therefore, one has to look for someone who has had a close acquaintance with Whitehall while also having experience of the industrial or commercial world, and in particular has experience in salary determination. It is, I think, desirable

that the person concerned should not be a former civil servant, although that need not be ruled out if their association with Whitehall was some time ago and they have had outside experience in the meantime: Lord Plowden is himself a former civil servant.

6. Names I have considered (in alphabetical order) are Sir Terry Beckett, Sir Kenneth Berrill, Sir Peter Carey, Sir Ron Dearing, Sir Christopher Foster, Sir John Gardiner, Sir Christopher Hogg, Lord Hunt of Tanworth and Sir David Nickson.

7. Of these, the Chancellor of the Exchequer and the Secretary of State for Defence would favour Sir Peter Carey, if a former Permanent Secretary is not ruled out in principle. He has been away from Whitehall now for five years and was always a civil servant with close associations with industry. The Lord Chancellor is not enthusiastic about Sir Peter Carey, given that he is a former Permanent Secretary, and would support Sir David Nickson as a good chairman and experienced, polished and successful businessman, albeit an unknown quantity in this particular field. Sir David Nickson would also be the Chancellor of the Exchequer's second choice and would be acceptable to the Secretary of State for Defence: the Secretary of State for Defence would put Sir Christopher Hogg ahead of Sir David Nickson, but I think it unlikely that Sir Christopher Hogg would take it on given the commitment of time which the post would demand.

8. The Lord Chancellor has also asked whether it is really impossible to find any other good candidates, but I have to say that I have not been able to think of any other names which do not fall foul of one objection or another. My present view is that the choice lies between Sir Robin Ibbs, Sir Peter Carey and Sir David Nickson.

APPOINTMENTS IN CONFIDENCE

9. The matter is urgent since, for reasons which are good both from the Government's and his own point of view, Lord Plowden does not want his retirement to come after the delivery of the next TSRB Report. I think that he could be persuaded to stay on for another year, and that may be desirable if the Prime Minister had it in mind to appoint Sir Peter Carey or Sir David Nickson who are already on the TSRB. But a further extension would be asking a lot of Lord Plowden and, if the Prime Minister thinks it right that he should now be allowed to lay down the burden, a decision is needed on his successor before Easter.

10. If the Prime Minister does not rule out a former Permanent Secretary, Sir Peter Carey might be the most acceptable alternative to Sir Robin Ibbs with Sir David Nickson as the second choice: I have not yet established whether either of them would be willing to take it on. If either of these were selected there would be a case for bringing him on the TSRB now and inviting Lord Plowden to do one more year while he gained experience. If neither of these commend themselves to the Prime Minister, a meeting with the Chancellor of the Exchequer, the Lord Chancellor and the Secretary of State for Defence (to whose Private Secretaries I am copying this minute) might be the best way of carrying the matter forward.

R.R.B.

ROBIN BUTLER

10 March 1988



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBIN BUTLER

NEXT CHAIRMAN OF THE TOP SALARIES REVIEW BODY

The Prime Minister has seen your minute of 10 March about a successor to Lord Plowden as Chairman of the Top Salaries Review Body. She would like to discuss this matter with the Ministers concerned and yourself; we are arranging a meeting.

You should know that the Prime Minister has wondered whether Lord Bridges might be a candidate.

I am sending a copy of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Lord Chancellor and the Secretary of State for Defence.

N. L. WICKS

14 March 1988

CH/EXCHEQUER	
REC.	14 MAR 1988
ACTION	SIR P. MIDDLETON
COPIES TO	

PTF in meeting folder

Ch
Now fixed for next Wednesday
AA

CONFIDENTIAL

FROM: D P GRIFFITHS

DATE: 24 MARCH 1988

- 1. MR SAUNDERS *There is a very hasty decision here once the Review Body has reported -*
- 2. CHIEF SECRETARY *what do we mean by "full funding" (or whatever we go for)? I would welcome your views on how firmly we will be tied to the Review Body's estimate of the cost. It will be important that the DHSS statisticians should come up with some indication of the margin of error.*

cc Chancellor
 Paymaster General
 Dame A Mueller
 Mr Anson
 Mr Phillips
 Miss Peirson
 Mr C W Kelly
 Mr Turnbull
 Mr Gilhooly
 Mr Call

W.A. @ G.M.

RR

NURSES' PAY AND CLINICAL GRADING STRUCTURE 25/3

1. We have been discussing with DHSS the implementation and costing of the Review Body award and the new clinical grading structure.

Cost of the Award

2. When the Review Body makes its report it will provide an estimate of the cost of the package. This figure will inevitably be the amount that the Government is pressed to pledge it will fund. Leaving aside the issue of fully funding the award, there is the question of the reliability of the Review Body's cost estimate. The Review Body's costing of the award is unlikely to be completely accurate and a small margin of error either way would not be problematic. But if their figure was seriously wrong, using it as the basis for funding the award would cause trouble. We would either be giving the Health Authorities much more money than they required or significantly under-funding the award only to find ourselves faced with urgent demands for extra resources later in the year.

3. In costing the new clinical grading structure the Review Body are relying on a survey of how 1300 nursing and midwifery posts would be affected by the new structure. The survey was carried out in 8 District Health Authorities with the posts surveyed being chosen by the authorities themselves. It was not a random sample nor an attempt to replicate the overall pattern of the nursing

→ unreliable in which direction?

population throughout the country. The numbers in each grade (nursing auxilliary, staff nurse etc) are large enough to form a statistically significant sample but when broken down by grade and occupational group they are too small. We have asked the DHSS urgently to review the reliability of the survey as a basis for producing an acceptably accurate costing of the award. However, at present we cannot say how much confidence we will be able to place in the estimate produced by the Review Body.

4. The alternative to accepting the Review Body figure would be to launch our own costing exercise when we have details of the award. This would not preclude announcing a decision on acceptance of the award and our willingness to fund it. However, this would be tantamount to writing a blank cheque. In producing a costing we would have to rely on information supplied by the health authorities themselves. If we had given a commitment to full funding, they would almost certainly be tempted to inflate their estimates and we would not be able to identify the padding.

5. There is also the question of the political implications of opting for any solution other than accepting the Review Body's estimate. We would be grateful for your preliminary thoughts on this aspect.

Preparations for Implementing the New Grading Structure

6. Implementation of the new clinical grading structure will be a major task for health authorities. DHSS are therefore minded to issue some advance guidance on the mechanics of carrying out the re-grading, including such matters as appeals procedures. A circular would go out to authorities in mid April - before the Government had announced its decision on the award but after we had received the Review Body's report. (If there was anything seriously untoward in the report, issuing the circular would obviously be re-considered.) When the Government had made its decision on the award and the amount of funding being provided,

Health Authorities would then be informed of their individual allocations.

7. We can see the arguments for issuing some advance guidance to authorities, provided that it is confined to the mechanics of implementation. However, we have told DHSS that Mr Newton must clear what is being proposed with you (and the Territorial Ministers). We would also want to scrutinise the terms of the circular before it went out.

D P Griffiths

D P GRIFFITHS

Handwritten notes in red ink:
The NHS body
cost estimates on basis
contracts, that is HMA's
we supply adequate funds for
if done, which, other than
fall in demand, body
in the case, I do not
know body's estimate
NHS body's estimate
under the current
provision - only the
any judgment & estimate
Low we accept the
estimate
from us
estimate



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

CH/EXCHEQUER	
REC.	24 MAR 1988 ✓ 24/3
ACTION	SIR P. MIDDLETON
COPIES TO	

Aug.

SIR ROBIN BUTLER

NEXT CHAIRMAN OF THE TOP SALARIES REVIEW BODY

The Prime Minister had a discussion this afternoon with the Chancellor of the Exchequer, the Lord Chancellor, the Minister of State, Ministry of Defence (Mr. Ian Stewart) and yourself about the next Chairman of the Top Salaries Review Body (TSRB).

After some discussion, the Prime Minister said that it was agreed that you should approach Sir David Nickson to see whether he was willing to succeed Lord Plowden as Chairman of the TSRB. If he was unwilling to serve, you should approach Sir Peter Carey. The aim should be to announce Lord Plowden's retirement and his successor's appointment before Lord Plowden delivered his forthcoming report on top salaries to the Prime Minister, though the actual date of the change should not take place until later.

I am sending a copy of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Lord Chancellor and the Minister of State, Ministry of Defence (Mr. Stewart).

N. L. W.

N. L. Wicks
23 March 1988

CONFIDENTIAL



FROM: MISS M P WALLACE

DATE: 28 March 1988

PS/CHIEF SECRETARY

cc Paymaster General
Dame A Mueller
Mr Anson
Mr Phillips
Miss Peirson
Mr C W Kelly
Mr Turnbull
Mr Gilhooly
Mr Saunders
Mr Griffiths
Mr Call

NURSES' PAY AND CLINICAL GRADING STRUCTURE

The Chancellor has seen Mr Griffiths' minute of 24 March. In his view, if the review body are basing their cost estimates on inadequate evidence, it is the Government's fault for not supplying adequate evidence. In these circumstances, the Chancellor does not see how he can do anything other than accept their estimate. Only if they themselves provide a range estimate rather than a point estimate could we have any judgement to exercise.

A handwritten signature in cursive script, appearing to read "M. Wallace".

MOIRA WALLACE

Ref. A088/1069

PRIME MINISTER

CH/EXCHEQUER	
REC.	29 MAR 1988 ✓ 29/3
ACTION	SIR P. MIDDLETON
COPIES TO	

Chairmanship of TSRB

As agreed at your meeting last week, I have sounded Sir David Nickson about his taking up the Chairmanship of the TSRB. At our first meeting, he was clearly interested in the proposition but anxious about the demands it would make on his time, especially in the first year when he takes up the Chairmanship of the Scottish Development Agency and is also still Chairman of Scottish and Newcastle. He asked if he could discuss the matter with Lord Plowden, to which I agreed.

2. Sir David Nickson came back to me today. He said that he would like to accept the Chairmanship but thought that it would be better, both from the point of view of his own commitments and for purposes of continuity of the TSRB work, if he became a member of the Review Body this year and became Chairman next year. To make this possible, Lord Plowden has agreed to take the Chair for one more year.

3. After consulting you and the other Ministers concerned, I have told Sir David Nickson and Lord Plowden that this arrangement would be acceptable to you and your colleagues and have passed on our gratitude to both of them.

4. This removes the pressure for an early announcement. It is not the practice to announce changes in membership of the TSRB whenever they happen, and Sir David Nickson said that it would suit him best if the announcement were in July that he is joining the Review Body, with a view to taking over its Chairmanship next year. This would be acceptable to Lord Plowden and, if you and your colleagues are content, I will make arrangements accordingly.

5. I am copying this minute to the Chancellor of the Exchequer, the Lord Chancellor and the Secretary of State for Defence.

R.B.

ROBIN BUTLER

29 March 1988

Copy to



30/3

H M Treasury
Parliament Street London SW1P 3AG

Switchboard 01-270 3000
Direct Dialling 01-270

Sir Peter Middleton KCB
Permanent Secretary

Ch
PM, but no other
Minister, will see those
of night
AA

- 2
- cc's
- (a) this one
- (b) the ch/Gx
- (c)
- 2 other people to see
- (d) PS Perm
- (e) PPS ch/Gx

Chancellor

These are the draft renewal body pgs. Finance

reports received over the last two weeks. I have promised not to show them to anyone other than you till we have the actual reports in our possession.

It does not look too bad to me. The health awards are predictable - and large. But the TSB and APRB look modest. The former - at 5.4% looks to fit with the rest of the civil service + represents quite a practical effort by Low Power.

But expense shows that there can be problems when the details are known, and we have no information on them yet

Sm.

PM Blatant

Next week +
week after.

NHS pay 20p
(as revised)

CONFIDENTIAL

copy 1 Sir R. Butler
2 Sir P. Middleton
3 Mr. Wilson
4 Mr. Gray

Estimated paybill for 88/89

Main feature of the recommendations

	Current rates	Proposed rates (provisional costing)	Percentage increase
	£ million	£ million	
A. <u>Doctors and dentists</u>	[2594.5]	[2798.4]	7.9
(i) General Practitioners	7.3%		
(ii) Hospital and Community Doctors	8.1%		
(iii) Part of medical defence subscriptions to be allowed as reimburseable expenses			
(Cost of about £20m - equivalent to 0.8% of paybill - excluded as with other expenses)			
B. <u>Nurses, midwives and health visitors</u>	4364.3	5038.2	15.4
(i) Includes new clinical grading structure covering 85% of staff. Estimated overall cost 14.5%. But actual cost dependent on assimilation of individual posts to new pay scales. Wide variety of individual increases. Most within a range of 4.2% - 33.6%. But, at extremes, some could get up to 65.3% and a handful could get small pay cuts of -1.9%.			
(ii) Payment on account of 4.0% pending assimilation. Nil cost.			
(iii) London supplements in inner, outer and fringe zones. Existing boundaries used. Expressed as percentages of basic pay but subject to maxima. Estimated cost about £40m or 0.9%.			
(a) Unqualified:			
Inner 5% (max £532)			
Outer 5% (max £532)			
Fringe 2½% (max £266)			
(b) Qualified:			
Grades C and above in new structure plus management grades.			
Inner 9% (max £958)			
Outer 5% (max £532)			
Fringe 2½% (max £266)			
C. <u>Professions allied to medicine</u>	423.0	460.3	8.8
(i) Increases range from 7.6% - 9.5%. Estimated cost 8.1%.			
(ii) London supplements in inner, outer and fringe zones. Existing boundaries used. Expressed as percentage of basic pay but subject to maxima. Estimated cost 0.7%.			
Inner 5% (max £532)			
Outer 5% (max £532)			
Fringe 2½% (max £266)			

+4½%
2711
diff
+87

+4½%
4560
diff
+478

+4½%
442
diff
+18

NHS TDF
+583

Estimated paybill for 88/89

Main feature of the recommendations

	<u>Current rates</u>	<u>Proposed rates (provisional costing)</u>	<u>Percentage increase</u>
	£ million	£ million	
D. <u>Top Salaries</u>	82.8	88.3	<u>6.6</u>
(i) Civil Service 5.4%			
(ii) Military 5.4%			
(iii) Judiciary 7.4% including some restructuring e.g.			
- Group 7 (11.9%) move closer to Group 6			
- New Group 4a (23.7%) for the London Official Referees			
- New Group 8 (5.3%) for the Immigration Adjudicators			
(iv) Undertaking to look next year at ways of developing performance pay arrangements for civil servants; but no recommendations this year.			
(v) Separate confidential recommendation that Northern Ireland County Court Judges should be paid Group 5 (rather than Group 6) salaries. Cost not included in above.			
E. <u>Armed Forces</u>	3415.5	3637.3	<u>6.5</u>
(i) Increases for trained personnel taper upwards from 4.0% for least skilled Private IIIs to 7.25% for Lt Colonels and above.			
(ii) Single rate of X factor for men, and separate single rate for women, retained. The concept of variable rates not pursued. Rate for men remains 10%. Rate for women increased from 7.5% to 9.0%.			
(iii) New "long Service at Sea" bonus (with abolition of separation allowance and hard lying money) to be implemented from 1 October.			
N.B. Excludes Reserves (5.1% on £141.6m) and receipts from food and accommodation charges (6.5% on £241.3m).			

CONFIDENTIAL



10 DOWNING STREET

514

CHEXCHEQUER	
REC.	05 APR 1988
ACTION	Sir P. Middleton
COPIES TO	

From the Principal Private Secretary

SIR ROBIN BUTLER

papers p 20

CHAIRMANSHIP OF THE TSRB

The Prime Minister has seen your minute of 29 March in which you report Sir David Nickson's willingness to become a member of the Review Body this year and to become Chairman next year.

The Prime Minister is content that Sir David Nickson's membership of the TSRB and his prospective Chairmanship should be announced in July.

I am copying this minute to Alex Allan (H M Treasury), Paul Stockton (Lord Chancellor's Office) and Brian Hawtin (Ministry of Defence).

*BF to ~~ACSA~~ 7/4
Pup*

N.L.W.

N. L. WICKS
31 March 1988

CONFIDENTIAL



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

Rt Hon John Major MP
 Chief Secretary to the Treasury
 HM Treasury
 Parliament Street
 Whitehall
 LONDON
 SW1P 3AG

// April 1988

John Major

I am writing to follow up the discussions which our officials have been having about the prospective financial situation and associated implications for services facing health authorities in 1988-89. It would be helpful if Tony Newton and I could have an early discussion of this with you before all our attentions are distracted by the arrival of the Review Body reports.

As you know Management Board members have now virtually completed a most rigorous appraisal of health authorities' plans for 1988-89. The results of that appraisal have been shared very fully with your own officials as well as with Ministers here. I hope therefore we can proceed with a reasonable degree of shared confidence as to the facts. I would stress particularly that in our judgement the appraisal we have received has minimised the dangers of being misled by shroud-waving on the one hand or of complacency on the other.

The question arises what should we, as a Government, do now that we have this appraisal. We have been experiencing a momentary lull in pressure as public opinion appears to have come to terms with the fact that we are not going to make any additional funds available in advance of an announcement on Review Body funding. But that pressure has only been relieved for a few weeks until we announce our decision on additional resources which is bound then to be closely scrutinised. Indeed most observers and many of our Parliamentary colleagues now openly take the view that full funding of Review Body awards is the minimum. But doing no more than that is not in my view going to be politically defensible, given the prospect of service reductions and further substantial deteriorations in creditor balances and the maintenance of hospitals, as will happen when authorities turn what are presently for the most part provisional plans into definite decisions. We should lose immediately whatever political credit we receive by our decision on Review Body funding.

F.R.

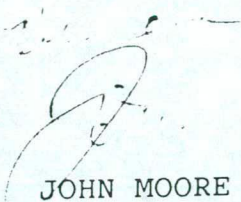
My view is that the right course is to accept that an additional sum needs to be made available in 1988-89 and future years to enable all health authorities to balance their income and expenditure without recourse to any of the expedients which are presently being planned. I am aware that your officials have raised the possibility of redistribution of resources between authorities, at the expense of those which still have sufficient for some service development. I agree that any additional resources would have to be targetted where they were needed, but any decisions which could be represented as taking resources away from a Region or District would create wholly disproportionate political problems from those whose expectations were being disappointed or whose financial prudence could be seen to be working against their own interests.

We also have to reach a judgement about the level of additional resources that would be seen as an appropriate response to the widespread concern on this issue. We have succeeded to a substantial extent in discrediting the wilder notions as to the level of extra spending that may be needed, but in my view a sum of £200 million is required. Once we commit ourselves to a figure we shall need to be able to defend it convincingly for the rest of the year; we are all persuaded of the undesirability of continual drip-feeding. We shall be on stronger ground to defend a figure if we are able to say that it has been determined in the light of a thorough appraisal of authorities' plans.

I have considered carefully how this fits in with our work on the NHS review. If it were achievable it would be helpful for any extra funds to be deployed in the context of review changes; there will be a time when we have to look at the overall financial position as part of our review proposals. But we have not reached that stage yet, and I am clear that we cannot defer the immediate funding issues until we have done so. This is another reason why, in presenting any decision to make available more funds, it would be best to explain that it arises from the further detailed appraisal that the NHSMB have now made of the current financial position.

We must also have in mind the link with the Nurses Review Body recommendations. There is obvious advantage in a single announcement of additional resources for the health authorities of which Review Body funding would be the major part. The link goes, however, beyond this. The Review Body's report, particularly as regards geographical pay and the costing of the new clinical grading structure is of considerable importance to our ability to recruit and retain staff in the coming year as well as in the longer term. It is essential to tackle both elements in a single package.

At this stage I am not copying this letter to anyone. But at some point before we engage colleagues generally we shall have to cover the interests of the other Health Departments.



JOHN MOORE

BF 15/4 prep.

FROM: J de BERKER

DATE: 12 April 1988

I agree. It is troublesome that the IAC have exceeded their remit, and disappointing that they have done the minimum on geography. But the balance of advantage is to go along with

1. MR GILHOOLY this, so long as the cc.
2. CHIEF SECRETARY RSC settlement is

not reopened. It will be important to watch at E(EF) that Mr. Baker does not run the option of making the IAC permanent - a review body for teachers.

J de Berker
12/4

Chancellor
Paymaster General
Sir Peter Middleton
Dame Anne Mueller
Mr Anson
Mr Phillips
Mr C W Kelly
Mr Case
Mr Hawtin
Mr Gilhooly
Mr Burr
Mr Potter
Mr Fellgett
Mr S Kelly
Mr Cropper

INTERIM ADVISORY COMMITTEE RECOMMENDATIONS

We have now received the IAC's report and recommendations on teachers' pay in England and Wales. The report is lengthy so a summary is attached.

2. The IAC's remit specified that their recommendations should not cost more than an additional £300 million in 1988/89 or in later years. In the event, they have made recommendations costing £332 million in 1988/89, and £343 million in a full year. The recommendations have been made in two steps; the first divides the £300 million in the remit into an across the board increase in pay and allowances of just under 4¼% (cost £290 million) and a 7½% increase in London Weighting backdated to July 1987 (cost £10 million); the second step is to raise the incentive allowances given for extra responsibilities and/or hard to fill posts and to phase them in over two years rather than three (first year cost £32 million, full year £43 million).

3. Mr Baker is planning to circulate a paper to be taken at the meeting of E(EP) next Tuesday 19 April. We understand he will propose that the IAC's recommendations should be accepted in full; but that there should be no reopening of the RSG settlement. Local Authorities will have to find the extra £32 million over and above the £300 million specified in the remit. Although they will no doubt protest, they should be able to do this.

4. We will be providing full briefing for E(EP), but we thought you would prefer to have advance warning.

Assessment

5. In all, the IAC's recommendations will increase the Teachers' pay bill in England and Wales by 4.7% in 1988/89, and 4.9% in a full year. This is well below the general level of settlements and the 6% settlement for Scottish Teachers.

6. That the IAC has exceeded the limit in its remit is obviously a matter for concern. But the general increase of 4¼ per cent for teachers is broadly in line with the expected rate of inflation, and the additional expenditure has been channelled towards incentive allowances which aid managerial flexibility. These were originally imposed by the Government, but the employers have subsequently found them useful.

7. The IAC do not favour regional pay as such, but they envisage nationally determined basic rates enhanced by local additions as necessary. They also consider that the proportion of discretionary payments in the teachers pay bill should be increased further in later years in the interests of managerial flexibility.

8. The IAC's report is unanimous, which is a considerable achievement on the part of the Chairman (Lord Chilver). The Committee found its remit restrictive, and said so several times in its report. If its recommendations are abated, the disagreements which Lord Chilver managed to reconcile are likely to surface in public. This would make it harder for Mr Baker to implement the 4¼% increase for Teachers - it will undoubtedly be opposed by the teachers' unions, although the DES do not expect serious disruption.

According to them, the NUT leadership believe that disruptive action will lose them more members and that in consequence they could cease to be the largest teachers' union. The NAS/UWT are still making aggressive noises, but are expected to confine themselves to a gesture such as a one day strike.

9. Another consideration is that abating this year's recommendations will make it much harder to use the IAC again next year. There is no legislative provision in the next session for a Teachers' Pay and Conditions Bill to get permanent arrangements for negotiations for teachers pay into place in time for the 1989 settlement. If space does become available the Chancellor has indicated - and Mr Baker agrees - that it would be better to use it for a Bill on Student Support.

10. If the IAC is to be used again, we will need to take steps to ensure that they do not overrun their remit for the second time. The fact that the whole of the additional cost this year will have to be borne by local authorities will be an advantage. It will be a clear signal that the Central Government will not provide more than it has specified, and local authorities will pay even greater attention to affordability in their evidence than they did this year.

11. Another point we will have to watch is that the IAC does not become a de facto review body for teachers. We will need to keep pressure on the DES to ensure that Teachers' Negotiating Group (TNG) - the replacement envisaged in the Green Paper - is set up in time for the 1990 settlement. So far, Mr Baker has been unable to conduct the consultations to which the Green Paper committed him. You may wish to stress the importance of this at E(EP). The fact that the IAC has exceeded its remit by £32 million this year will be helpful here.

Timing

12. Subject to the decision at E(EP) on Tuesday, we expect Mr Baker to propose that the IAC report should be published later in the week and sent to interested parties with a covering letter inviting their comments within three weeks, and holding out the possibility

* which defines their terms and conditions of service

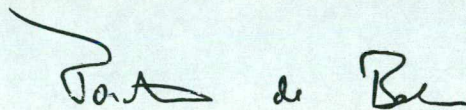
meetings. Following these meetings, there will probably need to be a further round of consultations on the document* on Teachers Pay and Conditions. The DES hope that the first round of meetings will be concluded by the end of May and the second by mid-June. This should allow employers sufficient time to get the money into teachers' pay packets in time for the Summer holidays at the end of July.

13. There is an issue about the precise date of publication of the IAC report, because it will come out about the same time as the review body reports. The DES want to publish before the review body reports. They are unwilling to publish after the reports, because they fear that would raise teachers' expectations, and feel it would be inappropriate to publish on the same day because some of the status of a review body might rub off on the IAC.

Line to Take

14. Our advice is that we should accept the IAC recommendations on the condition that this year's RSG settlement, and the rate limits which have already been promulgated, are not reopened. You will also want to insist that steps are taken to ensure that the IAC does not exceed its remit again next year, and that the Green Paper consultations are put in hand so that the introduction of the TNG is not delayed.

15. HE and LG are content.



JONATHAN DE BERKER

CONFIDENTIAL

SUMMARY OF THE INTERIM ADVISORY COMMITTEE REPORT

The report itself consists of an introduction, seven chapters, and some appendices. As might be expected, the introduction puts a general gloss on the report and its recommendations. Apart from the recommendations themselves, the most noteworthy points are the comments on teachers' low morale - attributed in part to non-pay issues, and what is said about the restrictive nature of the £300 million remit.

2. Chapter 1 sets out the remit, and provides the background on teachers' current pay and conditions. Chapter 2 summarises the evidence submitted to the IAC. On salaries, the Professional Association of Teachers asked for an increase in line with the cost of living but the other unions asked for increases ranging between 16 and 21 per cent on grounds of comparability, job weight, and the need to restore the 1975 (post-Houghton) position in the earnings league. The employers were primarily concerned with affordability, arguing that they could not fund an increase beyond the £300 million already provided for. Affordability aside, they were also concerned with the repercussions a large pay settlement might have for negotiations with other local authority groups. They recognised the existence of local recruitment and retention difficulties but saw no need for a substantial general increase.

3. Chapter 3 considers the evidence on recruitment, retention, motivation and quality. The Committee found its task made harder by a general lack of management information which they seem to have regarded as a symptom of the poor management undermining teachers morale, although not their commitment to the pupils. The IAC judged that retention was adequate, and so was recruitment - although there were signs that this is becoming more difficult. On quality, the IAC noted with concern that although the proportion of graduate teachers has never been higher, the proportion of university graduates within that total has fallen.

4. Chapter 4 gives the IAC's rationale for its recommendations on salaries and allowances. They have not sought to change differentials on a large scale because the current salary structure is still very new and needs time to settle down. They reject increases in basic salaries of less than the expected rate of inflation on the grounds that this would be detrimental to teachers morale and would be "counter productive". But they recognise that it is not always possible for a particular group to be shielded from inflation. More helpfully, as an implicit justification for not recommending more, they point out that 72 per cent of mainscale teachers (276,000) will be getting increments this year. This is unusually high, and will be lower in future. It is a by-product of the introduction of the new pay structure. In the previous structure the majority of teachers were on the top of their scales.

5. The IAC also recommend a substantial increase in incentive allowances because, among other things, currently they only amount to 4 per cent of the pay bill. They consider that a higher proportion of a pay bill needs to be channelled over time towards discretionary payments if management is to get the flexibility it needs.

6. Chapter 5 deals with other pay issues. On regional pay, after some waivering, they come down in favour of nationally determined basic rates enhanced by local additions as necessary. On London Weighting, they consider the existing allowance is unsatisfactory and needs to be reviewed. But meanwhile, it should be increased by 7½ per cent - which is what they perceive as the going rate and will not give rise to undesirable repercussions for local authorities. Finally, they recommend that the Social Priority Allowance should be abolished.

7. Chapter 6 deals with conditions of service and management, including midday supervision, cover for absent teachers, and the general lack of timely statistical information. Chapter 7 lists the IAC's recommendations.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

14 April 1988

Dear Prime Minister.

REVIEW BODY ON TOP SALARIES

I have written to you today to submit our Eleventh Report on Top Salaries. There is a matter which I would like to raise with you concerning the County Court Judges in Northern Ireland. I am writing to you separately about this sensitive issue as any public reference to it in our report could be damaging.

During the course of our review we again received representations from the County Court Judges that they should be raised from Group 6 to Group 5 of the judicial salary structure. These were made in view of the nature of the work which they were called upon to undertake and a history of recruitment difficulties. We were impressed by their case, which was discussed with them, and with the Head of the Northern Ireland Judiciary, during a visit to Belfast, and came to the view that they deserved some form of financial recognition, for so long as they were required to do significantly different work from that of their counterparts elsewhere in the United Kingdom.

We were particularly influenced by the need for them to try scheduled offences and to hear criminal injuries compensation appeals. We took account of the way in which they were affected by the security situation; and we believed that a higher salary, with the higher status implied thereby, would assist recruitment.

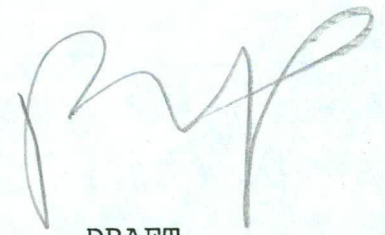
The possibility of a recommendation relating to the work involved was canvassed with the Lord Chancellor. He saw some merit in it; and I understand that he accepted that it was probably the best way of providing this deserving group with financial recognition.

We therefore wish to recommend that whilst the County Court Judges in Northern Ireland (normally 13 in post) should formally remain in Group 6 of the salary structure, they should be paid Group 5 salaries for so long as they are required to do significantly different work from that of their counterparts elsewhere in the United Kingdom. We estimate that the additional cost, over and above that arising from the general increase recommended in our main report, would be about £107,900 per annum and add 0.2 per cent to the judicial paybill.

I am copying this letter to Sir Robin Butler.

Yours sincerely
R. Plowden

CONFIDENTIAL



DRAFT
14 April 1988

Review Body Reports

The five review bodies have now reported. They have recommended the following increases from 1 April 1988:

Review Body	Average increase	Range of increase	UK Public expenditure cost (1)
	%	%	£m
Top Salaries (TSRB)			
Civil Service	5.4	5.2-5.5	1.5
Senior Armed Forces	5.4	5.2-5.5	0.5
Judiciary	7.4(2)	5.3-11.9	3.5
Armed Forces (AFPRB)	6.4	2.5-7.3	232
Doctors & dentists (DDRB)	7.9	7.3-8.1	318
Clinical Academics (consequence of DDRB)	8.1	8.1	4
Professions allied to medicine (PAM)	8.8	7.6-9.5	45
Nurses & midwives (NRB)	15.4	4.2-33.6 ⁽³⁾	803

Examples of the increases within each group are given in the Annexes.

(1) The figures for public expenditure cost differ from those in the review bodies' reports. The review bodies' figures do not include some costs which count as public expenditure.

(2) The TSRB's recommendations for the judiciary provide for increases of about 5.4 per cent for most members of the judiciary. The higher increases shown above reflect structural recommendations for certain groups. In half a dozen cases the increase will be 23.7 per cent.

(3) Most nurses and midwives would fall within this range. At extremes the Review Body suggest that some staff could get up to 65.3 per cent and a handful could get a small pay cut of -1.9 per cent.

2. The Government is committed to dealing with the reports quickly. The Prime Minister has reminded Parliament that last year the reports of the review bodies came in between 1 and 14 April and decisions were announced on 23 April; and has said that she hopes that the Government will be equally expeditious this year (Hansard 23 February col 144). The Chief Secretary, Treasury, has told Parliament that the Government hopes to be in a position to announce firm decisions no later than the end of April (Hansard 24 February col 313).

3. Ministers will first wish to consider whether to accept the recommendations in full. The Government has said that it will accept review body recommendations unless there are clear and compelling reasons for not doing so. The Review Bodies themselves say they have taken account of general economic circumstances as well as outside pay movements and problems of recruitment and retention.

4. In deciding whether to accept the recommendations in full Ministers will want to consider:

- i. the comparison with and possible effect on pay movements in the economy;
- ii. the cost and financing of the recommendations.

Pay and price movements elsewhere

5. The Review Bodies' recommendations compare with:

- an average level of settlements for the whole economy so far (covering a quarter of employees) of about 7.75 per cent (dominated by the local authority manuals' settlement of 10.7 per cent). In the private sector it is 5.5 per cent;

- a year-on-year increase in underlying average earnings for the whole economy of 8.5 per cent in January;
- a year-on-year increase in the RPI of 3.5 and in the TPI of 1.5 in March.

6. In the case of the TSRB report Ministers may also wish to take account of developments in pay for the rest of the Civil Service this year. There is no single figure being applied across the Service for 1988-89: the range is between 4 per cent and 6.5 per cent. But the common feature of all negotiations, apart from the support grades, is that the increase on 1 April 1988 on offer or agreed is 4 per cent on existing rates. In particular the two major groups which have yet to settle, the NUCPS executive grades and the CPSA clerical and other grades, have been offered 4 per cent (or for the latter £5 a week if that is greater). Moreover, the provisional agreement for grades 5 to 7, which is worth 5.75 per cent in 1988-89, provides for 4 per cent from 1 April with the balance from 1 October 1988. This deal is currently with union members for ballot/consultation.

Cost of recommendations

7. The costs of the recommendations are shown above. The most expensive recommendations are for the NHS groups which would give a total cost of £1166m for all groups taken together. In the case of the nurses, the Review Body's recommendations include proposals for a new clinical grading structure covering 85 per cent of staff. The Review Body has estimated the cost of its recommendations on assumptions about assimilation to this new structure provided by the Health Departments. The actual cost will depend on what decisions the Health Authorities take in practice about the assimilation of some half-million individual posts. But the DHSS accept that the Review Body's costings, increased for ERNIC, superannuation payments and Northern Ireland, should be taken as sound.

Financing

8. There should be no difficulty in financing the TSRB increases within existing provision.

9. The Ministry of Defence have confirmed that the AFPRB award is affordable within the provision made in the Estimates for 1988-89.

10. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendations in excess of existing provision is about £749m, of which about £92m arises in Scotland, £38m in Wales, and £23m in Northern Ireland with the remainder in England. £66m of the excess arises on the Family Practitioner Services which are not cash limited. The remainder falls on the Hospital and Community Health Services which are cash limited: £[]m on Health Authority allocations and £[]m on other services.

11. The Treasury consider that the extra cost for the NHS groups could be found in one of two ways: up to £75m in England could be found from savings within the HCHS and the rest from the Reserve (with corresponding arrangements in Scotland, Wales and Northern Ireland); or all of it could be found from within the Reserve. The DHSS view is that the whole sum should be met from the Reserve.

The options

12. In principle, an option for each group would be to abate the recommendations. This would be tantamount to rejection. TSRB apart it has been done only once (for DDRB), and the abatement was then restored two years later. It is the least acceptable method, not only to the professions but to the Review Bodies themselves, who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report. This does not however rule out staging, the usual method of reducing the cost of Review Body awards.

This was paid under new structure implications.

13. For the nurses, Ministers may feel that the right course this year would be to accept the review body recommendations in full and to find the extra cost of £566m from the Reserve. Most of the cost results from the introduction later in the year of the new grading structure with the higher rates backdated to 1 April. In principle, savings of £49m could be made for every month taken off the backdating; so that if payment of rates under the new structure were made only when the structure was introduced in November, instead of being backdated to April, savings of some £343m could be made. But the Review Body says that it was told that the rates of pay would be backdated to April 1988.

14. The award for the doctors and dentists if met in full, and financed from the Reserve, would cost the Reserve £161 after allowing for existing provision. Alternatively it could be staged by paying for example 4% from 1 April and the remainder from 1 October. This would reduce the extra cost to £101m (the saving from each month's delay would be £9m). Another possibility would be to distinguish between different types of doctor. For example if the staging were applied to general medical and dental practitioners, but not to hospital or community doctors and dentists, the saving would fall to £4m a month. The Review Body has however recommended rather lower increases for general practitioners (7.3%) than for hospital and community staff (8.1%) More generally, the DHSS say that the doctors and dentists would react strongly against worse treatment than the nurses (affordability would be a difficult argument to use with the BMA if large sums were being found for the nurses); and that staging the doctors and dentists could seriously prejudice the Government's chances of receiving the co-operation of the medical profession on a range of important current issues.

15. The award for the professions allied to medicine would cost £45m which is £22m above existing provision. If the award were staged, with 4 per cent paid on 1 April and the balance paid on 1 October, the saving would be £12m.

Handwritten notes in red ink:
M. 2/2/81
DHSS
+ my
M

16. The award for the armed forces would cost £232m and could be financed from within 1988-89 Estimates. If that too were staged, so that 4% were paid from 1 April and the remainder from 1 October, the saving would be £40m.

17. Another main issue is whether there should be some staging of the TSRB award. Such staging could take the form of 4% from 1 April and the remainder from 1 October, and could be presented as consistent with the handling of pay for other grades in the Civil Service (paragraph 6 above). There would be no administrative difficulty about extending such staging to the judiciary. If applied to all TSRB groups, this would reduce the extra cost by under £1m.

18. The above paragraphs summarise the main options which Ministers may wish to consider. A summary of the possibilities is set out for convenience in Annex D.

Justification for staging

19. If Ministers decide to stage some or all of the awards, they will want to consider the public justification for doing so. If they applied the same treatment to all Review Body Groups, including the nurses, it could be on the ground of reducing the very substantial cost and of indicating the Government's view on the desirable level of pay settlements more generally. But the cost argument could not be used so easily if the nurses were excluded from staging, since their award is by far the most expensive. The AFPRB award is also expensive, but it can be financed from within existing provision. Staging of the DDRB and TSRB awards alone could be justified on the ground that these groups are the highest paid (and have enjoyed substantial tax reductions as a result of the Budget, even though the chairman of the TSRB in his covering letter says that the TSRB has taken the general changes in tax rates fully into account.) Staging of the TSRB award only could also be justified on the additional ground that the first instalment of 4% is equal to the basic offer made

*Do not
use this!*

includes IPES
IRSF etc.

to other Civil Service grades. It is true that even if the eventual settlement is based on this 4% offer the total increase in Civil Service pay between 1987-88 and 1988-89, taking account of the new pay agreements and delayed payments from earlier settlements, will be 6% (not a public figure); and that the TSRB award is the lowest of the five. On the other hand it is most important not to prejudice negotiations with the other Civil Service grades(1)

Northern Ireland Judiciary

20. In a confidential side letter the chairman of the TSRB records the Review Body's recommendation that whilst the County Court judges in Northern Ireland should formally remain in Group 6 of the salary structure, they should be paid Grade 5 salaries for so long as they are required to do significantly different work from that of their counterparts elsewhere in the United Kingdom. They estimate that the additional cost would be about £108,000 and add 0.2 per cent to the judicial paybill.

21. The recommendation is in particular intended to reflect the nature of the work which these judges carry out, including the need to try scheduled offences and to hear criminal injuries compensation appeals. The Review Body believe that a higher salary, with the higher status implied thereby, would assist recruitment. Ministers will have to judge whether, presented in this way, the awards would avoid repercussive implications in Northern Ireland.

(1) Because last year's TSRB award was phased, the year-on-year increase would be 0.275 per cent greater than the Review Body's recommendations if the latter were implemented in full from 1 April. Taking discretionary increments into account as well, the year-on-year increase for Grades 2 and 3 would be 0.55 per cent greater, bringing the total increase for these grades up to around 6 per cent.

Pensions

22. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any review body awards, members of the review body group in question who retired during the period affected would suffer a permanent loss of pension. In the case of the Armed Forces Pension Scheme, deferment or staging may in some cases increase the likelihood that the pensions of persons who retire in the period affected will be overtaken by those of persons who retired in the previous year.

Review of MPs' pensions etc.

23. The TSRB has submitted to the Lord President a separate report on MPs' pensions and related matters. Ministers will wish to consider whether this should be published at the same time as the Review Body reports.

Teachers' Pay

24. The Secretary of State for Education has circulated to E(EP) the report of the Interim Advisory Committee on School Teachers' Pay and Conditions (E(EP)(88) 8). The Committee recommends increases totalling 4.7 per cent: 4.3 per cent on basic pay and the balance on incentive payments. The Secretary of State proposes to enter statutory consultations on the basis that the Government does not intend to revise the recommendation. He envisages publication of the report on 21 April, or earlier if possible.

Timetable and next steps

25. Government decisions on review bodies' awards have generally been announced by way of a written reply. The same method seems appropriate this time. Ministers may wish to agree that the announcement should take place on 21 April. DHSS attach impor-

→ (The PM is visiting Great Ormond St on 27/4 !)

Whose all
then whose
total of < 4%?

tance to careful presentation of the nurses' award: they point out that although 4 per cent will be paid immediately the balance (with backdating) will await implementation of the new grading structure and some nurses will only get small further amounts then.

26. There is no Parliamentary process, except that an order is necessary to maintain the differential between the Lord Chancellor's salary and the Lord Chief Justice's in accordance with declared Government policy. Under the Ministerial and Other Salaries Act 1975 this requires an Affirmative Resolution in both Houses and has in the past created the opportunity for the debate on the whole TSRB Report. The Order cannot be retrospective. There is a case for amending the 1975 Act to exclude the Lord Chancellor's salary from the need for an Order, but legislation would be needed.

Conclusions

27. Ministers are invited to decide:

- ✓ i. whether to agree the review bodies' recommendations for each of the Groups in question;
- ✓ ii. whether the extra cost of £749m falling on the NHS should be met in full from the Reserve;
- iii. if they conclude that the cost of £749m is excessive, whether to reduce it by omitting backdating for the nurses (paragraph 13) and/or the staging options for doctors and dentists in paragraph 14 and PAMs in paragraph 15;
- iv. whether there should be staging in the AFPRB payments;
- v. whether to stage the TSRB increase, for example by paying 4 per cent from 1 April and the remainder from 1 October;

yes -
for Jahn

no
yes

✓ vi. whether to publish the Review Bodies' reports all together on 21 April;

vii. whether to publish the TSRB report on MPs' pensions at the same time, without Government recommendations, either as part of the general announcement or separately, or whether to defer it until a later date when it might be part of a Parliamentary package.

EW

Key question is what was the main purpose of the

TSRB

CONFIDENTIAL

ANNEX A

TSRB Report

Typical increases

	Present pay £	Recommended pay, from 1 April 1987 £	Increase %
Head of the Civil Service	81,000	85,250	5.2
Permanent Secretary)			
Admiral)	65,000	68,500	5.4
General)			
Air Chief Marshal)			
Under Secretary)			
after 2 years')			
service)			
Rear Admiral)	37,000	39,000	5.4
Major General)			
Air Vice Marshal)			
Lord Chief Justice	81,000	85,250	5.2
High Court Judges	65,000	68,500	5.4
Circuit Judges	43,500	45,800	5.3

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ANNEX B

AFRB Report

Typical increases

	Present pay	Recommended pay, from 1 April 1988	Increase %
	£	£	
Brigadier	34,089	36,555	7.2
Lieut. Colonel on maximum.	27,271	29,247	7.2
Captain on maximum	16,272	17,418	7.0
Staff Sergeant, Band 4	11,108	11,830	6.5
Corporal I, Band 2	10,493	11,195	6.7
Private IV, Band 1	5,512	5,705	3.5

The same rates apply to equivalent ranks in the other Services.

The figures for Staff Sergeants, Corporals and Privates are for men committed to 6 years' but less than 9 years' service.

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ANNEX C

DDRB Report
Typical increases

	Present pay	Recommended pay from 1 April 1988	Increase %
	£	£	
<u>Hospital Staff</u>			
Consultant, on maximum	32,840	35,500	8.1
Registrar, on maximum	15,110	16,330	8.1
House Officer, on maximum	9,930	10,740	8.2
<u>General practitioners (average net income)</u>			
Doctors	26,840	28,800	7.3
Dentists	23,220	24,920	7.3

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ANNEX D

SAVINGS FROM VARIOUS STAGINGS

£ millions

	Average % increase	Cost of implementing in full	Savings by deferring to to 1 June	Saving if 4% from 1 April, balance 1 July 1 October	
A. NHS					
(a) <u>HCHS</u>					
Doctors and Dentists	8.1	168	24	18	36
Nurses	15.4	803	134	147	294
PAMs	8.8	45	8	6	12
s/t HCHS		<u>1016</u>	<u>166</u>	<u>171</u>	<u>342</u>
(b) FPS	7.3	150	16	12	24
B. AFRPR					
	6.4	213	35.5	20	40
C. TSRB					
Civil Service	5.4	1.5)			
Military	5.4	0.5)	1	1/2	1
Judiciary	7.4	3.5)			

TOTAL

Notes: If where some members of a group get less than 4% in the Review Body recommendation, the savings would be reduced.

From the Chairman
Sir James Cleminson MC DL

1 Victoria Street
London SW1H 0ET
Telephone 01-215 4934
Private Secretary 01-215 4935

Personal & Private

14th April 1981

Dear Nigel,

I expect you will have received in your office details of the recommendations on nurses pay.

I am glad to say that we were able to bring the key pay point for staff nurses, which I discussed with you, to just over 4%. We have also made it quite clear why the cost is so high this year on account of the restructuring.

The spread is very wide indeed so some commentators will pick on the low figures just as others will pick on the high ones according to political persuasion. However, I believe it should go a long way towards sorting nurses and sisters lay out and now they need to get on with the management side.

Thank you for your help.

Yours ever

James.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

14 April 1988

Dear Prime Minister,

REVIEW BODY ON TOP SALARIES

I enclose our Eleventh Report on Top Salaries.

When you consider our recommendations there is one point of which I should like you to be aware. At paragraph 88 of our Report we refer to the tax changes announced by the Chancellor of the Exchequer in the 1988 Budget as they effect the value of company cars to individuals. In reaching our judgment about pay levels we also took the general changes in tax rates fully into account, but we did not believe it was appropriate to refer to this in the Report.

Yours sincerely
P. Plowden

PLOWDEN



PAYMASTER GENERAL	
REC	15 APR 1988
FILE	MR DIXON
	chlex,
	CST, Est
	Sir P Middleton
	Mr Anson

PRIME MINISTER

Dame A Muir
Mr Kell
Mr Luce
Mr Gilhooly
Mr de Berker
Mr Shendan
Pma

TSRB - PARLIAMENTARY PENSION SCHEME, AND OTHER MATTERS

You will recall that, in my letter of 24 July 1987 to Lord Plowden, I invited the Top Salaries Review Body to undertake a review of the Parliamentary pension scheme, the pensions of certain office holders (the Prime Minister, the Speaker and Lord Chancellor) and Ministerial severance pay.

I have now received the Report, of which I attach a copy. The recommendations (para 57) are much as expected. On the Parliamentary scheme, no changes are recommended apart from some revised early retirement arrangements, and a death in service gratuity set at two years' salary. On the pension arrangements for the three office holders, the recommendations are more substantial. The TSRB propose:

1. entitlement to pensions fixed at half the final salary;
2. holders of the office of Prime Minister and Speaker to be allowed to participate in the Parliamentary scheme (but not retrospectively); and
3. the uncapping of the restrictions on pensions increase for office holders (past as well as current and future).

The consequences of the recommendations for the three office holders would be that the entitlement of the 'current and future' Prime Ministers would rise by 33.1/3% and of the Lord Chancellor by 17.5%.

The Prime Ministers and Speakers would be able to maintain contributions to the Parliamentary scheme and presumably then receive an additional pension relating to their Parliamentary salaries rather than the return of past contributions which they now receive. All three office holders would have their pensions revalued in line with the RPI, not as now capped by movements in their successors' salary entitlements (if these are lower). All these elements, especially the 33.1/3 raise for the Prime Minister, would cause complications for the presentation of the other Review Body reports.

On Ministerial severance pay, it is recommended, among other more minor changes, that Ministers in the Commons should be eligible for a payment equivalent to the net loss of three months' Parliamentary income. At present only Ministers and other office holders in the Lords are eligible for severance pay.

We are not required to make an immediate published response to these proposals, because the recommendations have a Parliamentary dimension which creates the expectation that those affected will be consulted before final decisions are taken. I shall, therefore, be consulting the Trustees of the Parliamentary pension scheme on the recommendations on the scheme itself and the arrangements for the office holders. (The Trustees are holding a meeting at the end of this month, and they may be looking then for some early indication of the Government's thinking.)

There is a technical point concerning the office holders, of which you will wish to be particularly aware. Because their pension arrangements, which are contained in Part II of the 1972 Act, were not covered by the Parliamentary and Other Pensions Act 1987, any changes along the lines recommended by the TSRB would require primary legislation. This would be in the form of a Parliamentary Pensions Bill. In spite of the Parliamentary dimension in the recommendations for office holders, it will be for the Government to decide whether they should be accepted and included in suitable legislation in due course.

The question of Ministerial severance pay in the Commons is clearly one for Government decision. I recommend that we accept in principle the TSRB recommendation. This will require a resolution of the House in due course.

Our most immediate concern now must be handling and publication. I would propose to publish the Report with a Parliamentary answer making it clear that the Government will be consulting the Trustees of the Parliamentary pensions scheme. I attach a draft answer which might be made. On timing, I understand that it is intended to publish the TSRB Report on Top Salaries and other pay review reports on 21 April. One possible course would be to publish the Parliamentary pensions report at the same time, but before deciding whether to issue it then you will wish to take very careful stock of the overall position on all the Review Body reports. As an alternative, we could leave publishing the Parliamentary pensions report until I am in a position also to make an announcement about increased financial assistance to Opposition parties: I would expect this to be some time around the middle of next month.

*ms
sally*

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When the Report is published, I propose to send copies under cover of a letter to the Speaker and Lord Chancellor (because of the reference to the pension arrangements associated with their offices), to the Opposition spokesmen and to Alf Morris, as Chairman of the Trustees of the Parliamentary Pension Fund.

Copies of this minute go to Nigel Lawson, John Belstead, David Waddington, Peter Brooke and to Sir Robin Butler.

Alison Smith

PP JW

(approved by the Lord President
and signed in his absence).

15 April 1988

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Q. To ask the Lord President when the TSRB Report on Parliamentary pensions is to be published.

A. In my written answer of 24 July (Col 502) I explained that I had invited the TSRB to review aspects of the Parliamentary pensions scheme, the pensions of the Prime Minister, the Speaker and the Lord Chancellor, and Ministerial severance pay. The report was published on _____ and a copy has been placed in the Library of the House.

We will be consulting the Trustees of the Parliamentary pension scheme on the recommendations on the scheme itself and the arrangements for the office holders. On Ministerial severance pay, we accept in principle the recommendation that Ministers in the House of Commons, as well as those in the House of Lords, should be eligible for a payment equivalent to the net loss of three months' Parliamentary income.

?/log

CONFIDENTIAL & PERSONAL

*NORA @
Ans.
v...*

- 1. DAME ANNE MUELLER ✓ *adm 15/4*
- 2. CHANCELLOR OF THE EXCHEQUER

FROM: J F Gilhooly
DATE: 15 April 1988

cc. Chief Secretary
 Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Kelly
 Miss Peirson
 Mr Robson

*ASK for the
TSRB
reports.*

*Ch meetings on this - mini-huddle
on Tuesday (you, PM + CST)
and then a full meeting of
R Body ministers on Wednesday.
The 1st issue for decision is timing
of Teachers' announcement (para 22, X).*

REVIEW BODY REPORTS

*reports, and can give them to you
on Monday - Nurses' is behind. now 15/4*

1. I attach below the near-final draft of the Cabinet Office paper for the Prime Minister's box tonight. You are to discuss with her on Tuesday. The Review Body reports are summarised on the first page of the paper. It is quite possible that the cost figures given there will shift slightly, but not enough to affect the overall picture.. There will be a further meeting on Wednesday with colleagues most directly concerned. If, as intended, the announcement is made by written answer on Thursday afternoon, 21 April, Cabinet agreement will be sought on Thursday morning.

General

- 2. There are two complicating factors this year.
- 3. First, the report of the Interim Advisory Committee on teachers' pay. Background on this is set out in Mr de Berker's submission of 12 April. Mr Baker is keen to accept the recommendations, and to have this published before the Review Body announcement is made. The Chief Secretary is content. His paper recommending this was to be discussed at E(EP) on Tuesday, but may now be cleared in correspondence.
- 4. Second, there is the TSRB report on parliamentary pensions. This is summarised in Mr Sheridan's note of yesterday to the Lord President. There are two controversial aspects to the proposals here:

(+CST)

- (a) the recommendation (as sought) that Ministers losing office on resignation should receive salary for a further 3 months;
- (b) the changes in the pension rules proposed for the Prime Minister, the Lord Chancellor and the Speaker, which would be worth a substantial amount to all three.

5. Unlike the review body reports, the IAC and Parliamentary reports will not have decisions announced at the same time as they are published. The first (by the requirements of the Teachers Pay and Remuneration Act 1986), the second (by custom and practice) would be published for consultation, to be put into effect in due course. (The teachers by order subject to negative resolution; the Parliamentary pensions by Resolution of the House.)

6. The final complication is the Lord Chancellor's Salary Order (which caused such difficulty in 1985). The Lord Chancellor's salary (to which the pensions of past Lord Chancellors and their widows are linked) cannot be increased save by resolution. For constitutional reasons, to which the Lord Chancellor's Department continue to attach importance, the practice has been to keep a lead (currently £2000) for the Lord Chancellor over the Lord Chief Justice. A 2½ per cent increase in the Lord Chief Justice's pay would eliminate the lead. Under the primary legislation, the salary cannot be increased retrospectively; but putting the order into effect provides the opportunity (available otherwise only by the use of an Opposition day) for a debate on the TSRB and (in practice) the other Review Body reports. We are pursuing with the Lord Chancellor's Department whether the legislation could be amended to make the resolution unnecessary.

The Issues

7. Against this background, the principal decisions needed are on:

- a. whether or not the recommendations of the reports should be accepted in full or should be staged or abated. The relevant factors here are cost; and repercussions on other pay negotiations.

- b. whether all seven reports (the five review body reports plus the IAC and the Parliamentary report) should be published simultaneously.
- c. the need to re-examine the Review Body arrangements especially for the NHS.

Cost

8. The AFPRB is relatively straightforward. The cost of 6.5 per cent coincides with the provision for pay in the 1988-89 Defence Estimates and in comparison with the other Review Body awards 6.5 per is relatively modest. As regards the later years, the 1987 PES settlement went a considerable way to conceding provision for the excess of this pay settlement over the GDP deflator in 1989-90 and 1990-91 - but not the whole way. MOD's own internal forward costings provide for it, but, for the Defence Budget as a whole are in excess of the PES baseline. If this is raised, you should say "we can look at this in PES."

9. The TSRB is also straightforward: no significant cost for any of the three groups. [There is an outside chance that the Lord Chancellor will say he needs help with the cost of the increases for the judiciary; but if he does he should be asked to absorb the costs.]

10. NHS groups. This is complicated and expensive. The key points are as follows.

11. Only the HCHS is cash limited. Increases over and above provision in the FPS have to be met automatically from the Reserve (in England: in the territories theoretically the excess might have to be found within the blocks).

12. The provision in the NHS programme is for pay increases of roughly the GDP deflator (4-4½%), ie. £417m in the UK.

*MR
Shaydon -
approx 1/5*

13. Under the agreement reached with Mr Moore in last year's PES half of the cost improvement programme savings, ie. around £75m in England, is earmarked for pay in the HCHS on top of the GDP deflator. This, plus corresponding amounts in the territories, could be added to the above £417m before raiding the Reserve. But it is likely that all or virtually all of that £75m will be needed for the non-Review Body pay awards later in the year, and Ministers may therefore prefer to agree to "full funding" for the Review Body awards, ie. not to require any of the cost improvement programme money to be used. (A distinction could be drawn between the nurses, where the pressure for full funding is greatest, and the doctors. But it would be difficult to present such a distinction, given that the two awards are to be announced simultaneously.)

14. Against the earmarked resources of £417m, there is the cost of the recommendations, ie. an additional £740m using Review Body cost estimates (grossed up to include costs they omitted and to include Northern Ireland). Despite the strictures in the Review Body reports about the defects in DHSS data, these cost estimates (as shown in the Cabinet Office paper) can be accepted as accurate enough for the doctors and PAMs. But that is not the case for the data for nurses. About two-thirds of the costs of the recommendations are for assimilating the nurses to the new clinical grading structure. The estimate is derived from a DHSS sample which has a margin of error put by DHSS themselves at (effectively) plus or minus £30 million.

15. Despite what the Chief Secretary said in his letter of 21 January, DHSS seem to have taken no steps to exert control over the costs of assimilation, by making sure that the Health Authorities do not overgrade nurses when they switch them to the new structure. Mr Moore may argue that the NHS should be given a blank cheque, that the Prime Minister's statement should say "We will meet whatever the costs are". It is essential that this is not done. Better - despite the doubts about the costings which the NPRB has provided - to accept their figure so that a cash limit constrains the health authorities than to leave this open-ended.

16. On that basis, if the recommendations are accepted in full, the financing gap to be met from the Reserve is £750m. The total cost of the recommendations is made up as follows.

<u>HCHS</u>	<u>£'m</u>
Nurses (at 15.4 per cent)	566
Doctors and Dentists (at 8.1 per cent)	95
PAMs (at 8.8 per cent)	22
	<hr/>
sub-total HCHS	683
	<hr/>
FPS:	
General practitioners (at 7.3 per cent)	66
	<hr/>
sub-total FPS	66
	<hr/>
Total claim on Reserve if recommendations met in full	£ <u>749</u> m

GE's latest assessment of the likely claims on the Reserve made an allowance of £800m for all NHS bids (pay and non-pay).

17. In addition, there are consequences for the clinical academics, who always get what is recommended by the DDRB for hospital consultants. The cost to the Reserve for them (assuming, as above, that they are not required to find anything extra from savings) is £3-4m.

18. Teachers. As Mr de Berker's submission set out, the IAC have exceeded their remit by £32m in 1988-89 (£42m in a full year). They have cleverly based the excess on improving the incentive allowances introduced when the Government imposed the settlement on teachers last year. Mr Baker proposes that the report be accepted but that the RSG settlement should not be reopened; and argues that the local authorities have offsetting

savings available within their education budgets, which would mean no drawing on the Reserve. The Chief Secretary is *Content*.

REPERCUSSIONS ON OTHER GROUPS

19. All these reports, (save possibly the nurses for whom there is a natural ring fence of public sympathy) will be seen as a signal of the Government's intentions over pay.

20. But there are two groups which will be particularly affected:-

(a) the NHS non-Review Body groups, who after some years of low settlements compared with others, look set to prove very difficult this year. It is unlikely that they will come quietly for a settlement of less than 6 per cent, and perhaps up to 1 per cent more.

(b) those civil servants who have not yet settled;

- the CPSA (offered £5 a week or 4 per cent if greater - worth on average 4 per cent)

- the NUCPS (offered 4 per cent); and

- Grades 5 to 7 where the provisional agreement which staff are currently being consulted or balloted on provides for 4 per cent from 1 April, and 3½ per cent (part of that new performance pay) from 1 October this year.

21. For all these groups, the affordability argument will take a knock if there is a substantial drawing from the Reserve (except for nurses). For the three civil service groups, increases for the senior civil service greater than what is currently on offer to them will matter.

22. The other group affected will be the teachers. It would be playing into the teaching unions' hands to announce the IAC report on the same day as the Review Body reports. (To defer

until after the Review Body reports would be worse.) Comparisons will be made anyway of course. But even a small separation in time is probably helpful. There is everything to be said for publishing the IAC report on Tuesday next or - if that is possible - on Monday. The Cabinet Office is putting this issue to the Prime Minister.

23. The final repercussion issue is the date of publication of the TSRB's report on parliamentary pensions. There is an argument for publishing this on the same day as the other reports so that it is not the focus of attention. But there is a risk that the proposed improvements in the pension arrangements for the Prime Minister and other office holders and the introduction of severance pay for Ministers - both of which are likely to be controversial - will sour the atmosphere for the announcement on Review Body reports. Delaying publication of this report until the dust has settled down has, therefore, immediate attractions, at the price of controversy later about the Parliamentary report alone when it is eventually published. In terms of the financing of the NHS, anything which detracts from the impact of the NPRB decisions is to be avoided: but there is a tricky political judgement here.

STAGING

24. The Cabinet Office paper illustrates options for staging the reports. (Further variants are possible). The public expenditure arguments point to staging, but in practice we believe that the scope for doing so is limited. Thus:-

- (a) the Nurses report includes (paragraph 80 and paragraph 155) a clear statement that the assimilation to the new grading structure should be backdated to 1 April. This is based ^{we suspect} on what they were told by the Health departments without authority of or consultation with Treasury officials or Treasury Ministers. Painless staging by delaying assimilation pay until assimilation takes place is thus ruled out without a terrific row.

- (b) Particularly if the nurses report cannot be staged, there will be great difficulty in persuading Mr Younger to staging the AFPRB report. MOD can afford the recommendation to be paid in full, and the size of the increase is the lowest except for the TSRB.
- (c) doctors and dentists. The case for staging is more attractive here. DDRB recommendations have often been staged in the past; and public sympathy is much less than for the nurses. The savings available are small compared with what could be achieved by the same staging for nurses (roughly one-fifth) but not negligible. The Prime Minister is believed to favour some staging, especially for GPs. DHSS will oppose. There are other tricky issues with these people, and they think staging will poison relations with the BMA.
- (d) the saving by staging PAMs would be small, and they are probably seen more as nurse-like than doctor-like.
- (e) The cost advantage to be gained from staging the TSRB is trivial, but - especially if the senior civil service were staged - the signal would be worthwhile. (There is an awkwardness in staging the lowest of the five Review Body recommendations, but that has been accepted before.) A natural choice would be 4 per cent from 1 April with the balance from 1 October on the grades 5 to 7 pattern. It would in principle be possible to abate the increase to, say, 4 per cent. But this would create problems with next year's report, without any great advantages for this year. The TSRB was supposed to be carrying out a fundamental review of top salaries. Its recommendations are unexpectedly modest. Lord Plowden's letter to the Prime Minister (attached) says they have taken account of the Budget in recommending what they have.

25. In sum,

- ✓ - we do not think you can persuade colleagues to stage the nurses or the armed forces. It is probably not worth seeking to stage the PAMs.
- ✓ - we think you should press for staging the TSRB groups to 4 per cent from 1 April and the balance from 1 October.
- for Doctors and Dentists the staging judgement is between on the one hand, the argument that this is "an attack on the NHS"; and on the other, the way this would reinforce the message of the IAC report on teachers, and staging of the TSRB groups. There would also be a helpful reduction in the claim on the Reserve.

ms. S. 10/10

26. If you decided to go for staging of the TSRB, there are likely to be arguments from the Lord MacKay and Mr Younger. A note on the detailed points follows.

NI JUDGES

27. The TSRB has produced a separate confidential report on NI Judges, recommending in effect that they should be paid one grade higher than they are. We will put up advice on this on Monday.

OTHER POINTS

28. The Review Body reports are once again an embarrassment to pay policy, and a blow to public expenditure, not made any better by the fact it has been anticipated. The system has been reviewed regularly in the past, but Ministers have decided against changes. (Changes considered but rejected have included abolition; tighter terms of reference; asking the Review Bodies to distribute a predetermined sum - like the IAC; changing the membership.)

29. You will wish to consider with the Prime Minister whether there should not be another general review.

30. As part of such a review, or free-standing if there is no review, it is absolutely vital that there should be a review of the arrangements for the NHS review bodies. The present situation, with major structural reviews carried out by negotiation with unions but with the "pricing" done by a separate independent body which has no responsibility for finding the money, is unacceptable. There is some urgency about getting this sorted out before the next round of Government evidence is submitted in September, since DHSS plan grading reviews of the senior nurses; of PAMs; and more widely because of the general examination of the basis of the NHS, which is likely to have implications for pay structures. You should make such a review a condition of your agreement to the decisions on the present Review Body reports.

X

CONCLUSION

31. We will let you have a speaking note for Tuesday's meeting. If you wish to discuss first, we would be happy to do so.

32. I am grateful to Miss Peirson and Mr Robson for help with this. Only copy addressees have seen.

* Thanks. V. clear/good submission. But what if suggests an alternative to X? No price in a union with lower rates for some doctors to get out of it.

J F GILHOOLY

I support staging for TSRB groups, and also doctors and dentists.

I agree...

John 15/4

CONFIDENTIAL & PERSONAL
& COVERING SECRET

Handwritten notes:
N... 75 1/4 h me 7800-
no power to 7560-
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me power 722-
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6/2 7160-

CHANCELLOR OF THE EXCHEQUER

FROM: J F GILHOOLY

DATE: 18 April 1988

Ch
Only CST to you @
tomorrow's meeting. Then
meeting with the Ministers
concluded on Wednesday
AA

- cc Chief Secretary
- Paymaster General
- Sir Peter Middleton
- Mr Anson
- Dame Anne Mueller
- Mr Kelly
- Miss Peirson
- Mr Robson

REVIEW BODY REPORTS: MEETING WITH THE PRIME MINISTER TOMORROW

1. My submission of 15 April promised a speaking note for tomorrow's meeting. This is attached. It incorporates as need be the supplementary points made below. Also attached is the Cabinet Office draft of the Prime Minister's written answer announcing the decisions on the report.

The Figures

2. Some changes cannot yet be ruled out, but so far the figures in the Cabinet Office note and in my submission stay unaltered.

NI Judges

3. In a confidential report, the TSRB recommends that NI Judges should be paid in the next highest grade (see paragraphs 20 & 21 of the Cabinet Office paper). We remain concerned about the repercussions of making this change for the reasons set out at Annex A; and advise you to argue against. Colleagues, probably including the Prime Minister, are, however, likely to favour this change.

Lord Chancellor's Department PES

4. Paragraph 9 of my submission mentioned that the Lord Chancellor's Department might jib at bearing the cost of the increases for judges. We think that this is unlikely, but just in case it is raised, you should have the background to hand. This is as follows.

5. A salary increase for the judiciary of 7.4 per cent would add £2½m to this year's pay bill of £35m for the judiciary in England and Wales. The salaries of the judiciary are paid from the Consolidated Fund and not from Votes, in order to demonstrate the independence of the judiciary from the executive. But the expenditure is counted in PES as part of LCD's programme. It comprises some 4.5% of LCD's total programme spending, two thirds of which is legal aid. We would nevertheless expect LCD to absorb this sum within their programme spending in 1988-89, particularly since there was significant underspending on legal aid in 1987-88.

Effects of staging TSRB groups

6. There are technical problems which need to be watched for on staging proposals for the senior civil service and the armed forces, because of the relationship of grades below whose pay is set separately. (These are additional to the arguments that with staging until 1 October, individuals retiring in the period 1 April to 30 September would have somewhat reduced pensions compared with full implementation from 1 April, because of the principle that pensions follow salaries in payment.) We do not think there is much in these arguments this year. (See Annex B for details).

Review of NHS Arrangements

7. You asked what we had in mind here. (Miss Wallace's minute of today). What we would hope and expect from a review would be an end to the present arrangements whereby structural changes are negotiated under the Whitley system between the nurses' representatives and NHS management but the cost is left for the

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Review Body to determine. This year, DHSS thought that the new clinical grading review could be introduced for around 3 per cent; the NPRB has made a different (and much more expensive) judgement.

8. There are three possible options which we should like to have examined:-

(a) to have the Review Body made responsible for deciding on restructuring details as well as the pricing of it;

(b) to have the pricing as well as the restructuring negotiated in the Whitley system;

(c) to have some cash limit introduced on the Review Body where a restructuring or similar is involved.


9. It may be that on examination none of these will give a measure of security against the sort of open-ended commitment which we were landed with this year, and which the NPRB has made all too full use of. But we feel that this is worth looking at. It would of course be an in-house exercise, perhaps involving initially only ourselves and DHSS. It would link naturally with the examination of how the NPRB came to believe what it did about assimilation (Mr Judge's note of today to your PPS). We remain very concerned about a repetition of this year's events, even if on a smaller scale in the future.

10. As to a wider review, I would give this less priority than the issue above. It is not long since (1986) that the review body system was looked at generally, and Ministers concluded that no change should be made. But the IAC, even though we do not intend it as a permanent feature of teachers' pay, gives an interesting sort of model for the Review Body groups for whom independent machinery remains inevitable.

11. If you decide to go for one or both of these review options, the best time to get them launched would be over the next two days, when the decisions of this year's reports are being made. I have therefore included a line to take in the speaking notes.

Press Briefing

12. The usual package of briefing is in hand, and we hope to be able to let you see it in draft tomorrow night. Given all the NHS pressures (including Mr Moore's bid, on which Miss Peirson has put up separate advice) we are pressing DHSS to clear with us any statements or briefing they are preparing.



J F GILHOOLY

SPEAKING NOTES

Nurses

Agree should be implemented in full from 1 April. Treasury will be pursuing with DHSS how and why backdating was given away.

PAMs

Small sums involved. Nurse-like group in public eye. Implement in full.

DDRB

24/10/2018 JP
 Agree staging needed. Complicates relations for DHSS on other fronts; but need signal about discipline on public service pay.

AFPRB

Reluctantly agree no staging. *ASB*

TSRB

Stage. Treasury has been at pains to establish 4 per cent (or similar) as offered increase from 1 April for all groups except support grades, with increases thereafter mostly from 1 October and linked to delivery of changes Government wants. Very important not to undermine that. Understand no real difficulties caused by staging re pensions, promotion increases. [Details in Annex B]. Helps too with wider pay signals, making nurses, armed forces special case. Especially important signal for negotiations with NHS non-review body groups, which will be difficult enough this year.

IAC on teachers; TSRB on Parliamentary pensions

Agree Kenneth Baker's line that we should accept and publish IAC report quickly.* TSRB on parliamentary pensions very difficult because of pensions for office holders and severance pay for

*pm's pass
(+ 1/3)*

An increase in the status and pay of any public officials in Northern Ireland would be seen as recognition of special factors applying in the province and would therefore be potentially repercussive for all public sector salaries. In addition, given the dominance of public sector employment in the Northern Ireland economy, it could feed through to the private sector.

2. In the first instance, the proposal would lead to a demand to increase the pay of resident magistrates in Northern Ireland who are also exposed to security risks and restraints on their way of living. The pressures would almost certainly escalate.

3. It is difficult to see why the TSRB should conclude now that the nature of the work of NI judges warrants increased status and higher pay. They have been handling terrorist trials throughout most of the recent troubles (Diplock courts were introduced in the mid 1970s). It follows last year's proposal from the Lord Chancellor to pay NI judges and resident magistrates a special allowance; this was rejected by the Prime Minister who thought the repercussions would be endless. The present recommendation, which the Lord Chancellor sees some merit in, is, to all intents and purposes, a special NI judicial allowance under a different name. It will certainly be regarded as such by the world at large.

4. It is very doubtful that the extra pay - £4750 on present salary scales - and status would improve recruitment. If it had little effect, there would be pressure to go further next year. If it succeeded, it would have created a precedent for solving similar recruitment and retention problems in the province although mercifully there is very little evidence that the public sector generally finds it difficult to attract applicants.

(i) Senior civil service

1. There are no problems here:-

Grade 5 pay is to increase by 4% from 1 April under the provisional grades 5 to 7 agreement, so that the existing relativities are preserved.

2. We foresee some difficulties from 1 October. On assimilation to the new pay spine, Grade 5 pay will increase at the maximum of the scale by 7.7 per cent, compared with 5.3 per cent for the minimum of Grade 3. This will reduce the elbow room we will have for fitting in Grade 4 (under 200 staff, but an important grade in the Revenue and one or two other departments). The Grade 4 scale is set by interpolation between Grade 5 and Grade 3. But this is not a problem which arises from staging, but from the interface between the TSRB and the grades beneath it. We have, as yet, made no proposals for Grade 4 pay, and although there are some difficulties, they should not be insuperable. Certainly there is no case for arguing that Grade 3s should be given more than the TSRB has recommended!

(ii) Senior Armed Forces

3. The one-star to two-star differential (eg Brigadier to Major-General) is reduced by the AFPRB and TSRB reports. The figures are as follows:-

	<u>Brigadier</u>	<u>Major General</u>	<u>Diff (£)</u>	<u>Diff (%)</u>
31 March 1988	£34,089	£37,000	£2911	8.5
Recommended from 1 April 1988	£36,555	£39,000	£2445	6.7
If TSRB grades given 4%, from 1 April to 30 Sept 1988	£36,555	£38,480	£1925	5.3

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Even with staging, the increase on promotion remains significant at 5.3% in the period 1 April to 30 September this year. There is not a convincing argument here for staging the AFPRB or for not staging the TSRB. MOD have told us that the proposed staging would have a substantial effect on Air Commodores ("one star") in receipt of flying pay on promotion; the increase on promotion (which loses them flying pay) would be £67 during the six months of the staging. There are also one or two cases, they suspect, in the submarine service where a reverse differential could be created for six months. But at official level, they do not seem too anxious to run these as arguments against staging.

4. Similarly on pensions, they do not seem disposed to press against staging either because of the effect on those retiring after 1 April, or because (under the complex updating rules for Armed Forces' pensions) individuals retiring during April 1987 (but not later in 1987-88) would have a pension £30 a year higher than those retiring on or after 1 April 1988.

5. Finally, you should know that the Lord Chancellor's Department is muttering about the administrative costs of staging. No doubt there will be some costs, but these should be covered several-fold by the savings from staging. And the arguments for staging TSRB groups are not, in any case, based on cost.

PERSONAL AND CONFIDENTIAL



FROM: S P JUDGE
DATE: 18 April 1988

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary
PS/Sir Peter Middleton
PS/Dame Anne Mueller
Mr Anson
Mr C W Kelly
Miss Peirson
Mr Robson
Mr Gilhooly

REVIEW BODY REPORTS

The Paymaster General has seen Mr Gilhooly's submission of 15 April.

2. He hopes that we have a very clear statement of what exactly was said by the Health Departments about assimilation - in case there was any misunderstanding. (I have conveyed to the Paymaster the gist of paragraph 80 of the Nurses' Report.)

3. The Paymaster thinks this action looks criminally incompetent, which is why it is only fair to Health Ministers to verify what actually happened.

4. Finally, if nurses are an (unnecessarily) lost cause, the Paymaster thinks that staging the doctors and TSRB reports looks essential, in the context of the main Civil Service offers.

S P JUDGE
Private Secretary

CONFIDENTIAL



pmg

10 DOWNING STREET
LONDON SW1A 2AA

18/4

From the Private Secretary

18 April 1988

CH/EXCHEQUER	
REC.	18 APR 1988
ACTION	<i>CST</i>
COPIES TO	

Dear Tom,

TEACHERS PAY

The Prime Minister has seen your Secretary of State's paper E(EP)(88)8 in which he set out his proposals for the implementation of the Report of the Interim Advisory Committee on School Teachers' Pay and Conditions. She is content for him to proceed on the basis of the conclusions set out in paragraph 13. Unless any other colleagues see any objection to the proposals, the Prime Minister sees no need for an E(EP) meeting on this subject. She would also be content for your Secretary of State to announce his proposals tomorrow, Tuesday 19 April.

I am copying this letter to the Private Secretaries of members of E(EP) and Sir Robin Butler.

*Yours,
Paul*

(PAUL GRAY)

Tom Jeffery, Esq.,
Department of Education and Science.

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CONFIDENTIAL



18/4

CH/EXCHEQUER	
REC.	18 APR 1988
ACTION	PMG
COPIES TO	

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

18 April 1988

Dear Alison,

TSRB - PARLIAMENTARY PENSION SCHEME, AND OTHER MATTERS

The Prime Minister had a brief discussion this morning with the Lord President, the Lord Privy Seal, the Chief Whip and the Paymaster General about the Lord President's minute of 15 April regarding the report on this matter which the TSRB has recently submitted to him.

The meeting agreed that, unless it was decided otherwise in the discussions on the other pay review body reports, the Lord President would arrange to have this TSRB report published some time in May when he should be in a position to make a statement, at the same time, about "Short" money.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Lord Privy Seal, the Chief Whip, the Paymaster General and to Sir Robin Butler.

Nigel Wicks

N. L. Wicks

Ms. Alison Smith,
Lord President's Office.

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cc Chancellor
Chief Secretary
Economic Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller Mr Dixon
Mr C W Kelly Mr Gilhooly
Mr Luce Mr de Berker
Mr Sheridan

Treasury Chambers, Parliament Street, SW1P 3AG

N L Wicks Esq CBE
Principal Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

18 April 1988

Dear Nigel

TSRB - PARLIAMENTARY PENSION SCHEME, AND OTHER MATTERS

The Paymaster General has seen the Lord President's minute of 15 April to the Prime Minister, which I gather is being discussed later this morning.

2. Given that there is an opportunity next month which looks reasonably coherent, the Paymaster would prefer to defer publication until then.

3. I am copying this letter to Alison Smith (Lord President's Office), Mike Eland (Lord Privy Seal's Office), Murdo Maclean (No 12) and Trevor Woolley (Cabinet Office).

Yours ever

Simon

S P JUDGE
Private Secretary



FROM: MISS M P WALLACE

DATE: 18 April 1988

MR GILHOOLY

cc PS/Chief Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kelly
Miss Peirson
Mr Robson**REVIEW BODY REPORTS**

The Chancellor was most grateful for your submission of 15 April, which he found very clear. He agrees with Dame Anne Mueller's manuscript comment, supporting staging for TSRB groups, and doctors and dentists.

2. He has also noted the arguments you *advance* in favour of a review of the arrangements for NHS Review Bodies. He wonders what we could suggest as an alternative to the current situation: there would be no point in a Review unless we know what we want to get out of it.

A handwritten signature in black ink, appearing to read 'M P Wallace'.

MOIRA WALLACE

*Ch/ new version.
No changes
of substance*

Ref. A088/1233

PRIME MINISTER

*upw
19/4*

Review Body Reports

--- I attach a note which describes the recommendations of the Review Bodies for April 1988 and sets out possible courses of action for the Government, as a basis for discussion at your meeting on Wednesday 20 April 1988 at 9.30 am.

2. The note is being copied to the Chancellor of the Exchequer, the Lord Chancellor, the Secretaries of State for Defence, Employment and Social Services, the Lord President, the Chief Secretary, the Minister of State, Privy Council Office and the Chief Whip.

3. I would ask all Ministers receiving this minute and its attachment to ensure that it is handled personally by them and their Principal Private Secretaries and, if necessary, shown only to those named officials who have so far been involved in consideration of the Review Body reports and whose names are held centrally by the Cabinet Office.

R.R.B.

ROBIN BUTLER

19 April 1988

CONFIDENTIAL

DRAFT
19 April 1988

Review Body Reports

The five Review Bodies have now reported. They have recommended the following increases from 1 April 1988:

Review Body	Average increase	Range of increase	UK Public expenditure cost (1)
	%	%	£m
Top Salaries (TSRB)			
Civil Service	5.4	5.2-5.5	1.5
Senior Armed Forces	5.4	5.2-5.5	0.5
Judiciary	7.4(2)	5.3-11.9	3.5
Armed Forces (AFPRB)	6.4	2.5-7.3	232
Doctors & dentists (DDRB)	7.9	7.3-8.1	318
Clinical Academics (consequence of DDRB)	8.1	8.1	7
Professions allied to medicine (PAM)	8.8	7.6-9.5	45
Nurses & midwives (NRB)	15.4	4.2-33.6 ⁽³⁾	803

Examples of the increases within each group are given in the Annexes.

(1) The figures for public expenditure cost differ from those in the review bodies' reports. The review bodies' figures do not include some costs which count as public expenditure.

(2) The TSRB's recommendations for the judiciary provide for increases of about 5.4 per cent for most members of the judiciary. The higher increases shown above reflect structural recommendations for certain groups. In half a dozen cases the increase will be 23.7 per cent.

(3) Most nurses and midwives would fall within this range. At extremes the Review Body suggest that some staff could get up to 65.3 per cent and a handful could get a small pay cut of -1.9 per cent.

2. The Government is committed to dealing with the reports quickly. The Prime Minister has reminded Parliament that last year the reports of the review bodies came in between 1 and 14 April and decisions were announced on 23 April; and has said that she hopes that the Government will be equally expeditious this year (Hansard 23 February col 144). The Chief Secretary, Treasury, has told Parliament that the Government hopes to be in a position to announce firm decisions no later than the end of April (Hansard 24 February col 313).

3. Ministers will first wish to consider whether to accept the recommendations in full. The Government has said that it will accept review body recommendations unless there are clear and compelling reasons for not doing so. The Review Bodies themselves say they have taken account of general economic circumstances as well as outside pay movements and problems of recruitment and retention.

4. In deciding whether to accept the recommendations in full Ministers will want to consider:

- i. the comparison with and possible effect on pay movements in the economy;
- ii. the cost and financing of the recommendations.

Pay and price movements elsewhere

5. The Review Bodies' recommendations compare with:

- an average level of settlements for the whole economy so far (covering a quarter of employees) of about 7.5 per cent (dominated by the local authority manuals' settlement of 10.7 per cent). In the private sector it is 5.75 per cent;

- a year-on-year increase in underlying average earnings for the whole economy of 8.5 per cent in February;
- a year-on-year increase in the RPI of 3.5 and in the TPI of 1.5 in March.

6. In the case of the TSRB report Ministers may also wish to take account of developments in pay for the rest of the Civil Service this year. There is no single figure being applied across the Service for 1988-89: the range is between 4 per cent and 6.5 per cent. But the common feature of all negotiations, apart from the support grades, is that the increase on 1 April 1988 on offer or agreed is 4 per cent on existing rates. In particular the two major groups which have yet to settle, the NUCPS executive grades and the CPSA clerical and other grades, have been offered 4 per cent (or for the latter £5 a week if that is greater). Moreover, the provisional agreement for grades 5 to 7, which is worth 5.75 per cent in 1988-89, provides for 4 per cent from 1 April with 3 per cent from 1 October 1988. This deal is currently with union members for ballot/consultation.

Cost of recommendations

7. The costs of the recommendations are shown above. The most expensive recommendations are for the NHS groups which would give a total cost of £1166m for all groups taken together. In the case of the nurses, the Review Body's recommendations include proposals for a new clinical grading structure covering 85 per cent of staff. The Review Body has estimated the cost of its recommendations on assumptions about assimilation to this new structure provided by the Health Departments. The actual cost will depend on what decisions the Health Authorities take in practice about the assimilation of some half-million individual posts. But the DHSS accept that the Review Body's costings, increased for ERNIC, superannuation payments and Northern Ireland, should be taken as sound.

Financing

8. There should be no difficulty in financing the TSRB increases within existing provision.

9. The Ministry of Defence have confirmed that the AFPRB award is affordable within the provision made in the Estimates for 1988-89.

10. The biggest requirement for financing arises on the NHS groups. The total cost of the recommendations in excess of existing provision is about £749m, of which about £92m arises in Scotland, £38m in Wales, and £23m in Northern Ireland with the remainder in England. £66m of the excess arises on the Family Practitioner Services which are not cash limited. The remainder (£683m) falls on the Hospital and Community Health Services which are cash limited.

11. The Treasury consider that the extra cost for the NHS groups could be found in one of two ways: up to £75m in England could be found from savings within the HCHS and the rest from the Reserve (with corresponding arrangements in Scotland, Wales and Northern Ireland); or all of it could be found from within the Reserve. The DHSS view is that the whole sum should be met from the Reserve.

The options

12. In principle, an option for each group would be to abate the recommendations. This would be perceived as rejection. TSRB apart it has been done only once (for DDRB), and the abatement was then restored two years later. It is the least acceptable method, not only to the professions but to the Review Bodies themselves, who in recent years have set considerable store by the fact that each year's recommendations have been in full payment by the date of the following report. This does not however rule out staging, the usual method of reducing the cost of Review Body awards.

13. For the nurses, Ministers may feel that the right course this year would be to accept the review body recommendations in full and to find the extra cost of £566m from the Reserve. Most of the cost results from the introduction later in the year of the new grading structure with the higher rates backdated to 1 April. In principle, savings of £49m could be made for every month taken off the backdating; so that if payment of rates under the new structure were made only when the structure was introduced in November, instead of being backdated to April, savings of some £343m could be made. But the Review Body says that it was told that the rates of pay would be backdated to April 1988.

14. The award for the doctors and dentists if met in full, and financed from the Reserve, would cost the Reserve £161 after allowing for existing provision. Alternatively it could be staged by paying for example 4% from 1 April and the remainder from 1 October. This would reduce the extra cost to £101m (the saving from each month's delay would be £9m). Another possibility would be to distinguish between different types of doctor. For example if the staging were applied to general medical and dental practitioners, but not to hospital or community doctors and dentists, the saving would fall to £4m a month. The Review Body has however recommended rather lower increases for general practitioners (7.3%) than for hospital and community staff (8.1%) More generally, the DHSS say that the doctors and dentists would react strongly against worse treatment than the nurses (affordability would be a difficult argument to use with the BMA if large sums were being found for the nurses); and that staging the doctors and dentists could seriously prejudice the Government's chances of receiving the co-operation of the medical profession on a range of important current issues.

15. The award for the professions allied to medicine would cost £45m which is £22m above existing provision. If the award were staged, with 4 per cent paid on 1 April and the balance paid on 1 October, the saving would be £12m.

16. The award for the armed forces would cost £232m and could be financed from within 1988-89 Estimates. If that too were staged, so that 4% were paid from 1 April and the remainder from 1 October, the saving would be £40m.

17. Another main issue is whether there should be some staging of the TSRB award. Such staging could take the form of 4% from 1 April and the remainder from 1 October, and could be presented as consistent with the handling of pay for other grades in the Civil Service (paragraph 6 above). If applied to all TSRB groups, staging would reduce the extra cost by under £1m. There would be no administrative difficulty about extending staging to the judiciary, although there would be administrative costs.

18. The above paragraphs summarise the main options which Ministers may wish to consider. A summary of the possibilities is set out for convenience in Annex D.

Justification for staging

19. If Ministers decide to stage some or all of the awards, they will want to consider the public justification for doing so. If they applied the same treatment to all Review Body Groups, including the nurses, it could be on the ground of reducing the very substantial cost and of indicating the Government's view on the desirable level of pay settlements more generally. But the cost argument could not be used so easily if the nurses were excluded from staging, since their award is by far the most expensive. The AFPRB award is also expensive, but it can be financed from within existing provision. Staging of the DDRB and TSRB awards alone could be justified on the ground that these groups are the highest paid and have enjoyed substantial tax reductions as a result of the Budget, even though the chairman of the TSRB in his covering letter says that the TSRB has taken the general changes in tax rates fully into account. Staging of the TSRB award as it affects senior civil servants (although not the judiciary) could also be justified on the additional ground that

the first instalment of 4% is equal to the basic offer made to other Civil Service grades. It is true that even if the eventual settlement is based on this 4% offer the total increase in Civil Service pay between 1987-88 and 1988-89, taking account of the new pay agreements and delayed payments from earlier settlements, will be 6% (not a public figure); and that the TSRB award is the lowest of the five. On the other hand it is most important not to prejudice negotiations with the other Civil Service grades(1).

Northern Ireland Judiciary

20. In a confidential side letter the chairman of the TSRB records the Review Body's recommendation that whilst the County Court judges in Northern Ireland should formally remain in Group 6 of the salary structure, they should be paid Grade 5 salaries for so long as they are required to do significantly different work from that of their counterparts elsewhere in the United Kingdom. They estimate that the additional cost would be about £108,000 and add 0.2 per cent to the judicial paybill.

21. The recommendation is in particular intended to reflect the nature of the work which these judges carry out, including the need to try scheduled offences and to hear criminal injuries compensation appeals. The Review Body believe that a higher salary, with the higher status implied thereby, would assist recruitment. Ministers will have to judge whether, presented in this way, the awards would avoid repercussive implications in Northern Ireland.

(1) Because last year's TSRB award was phased, the year-on-year increase would be 0.275 per cent greater than the Review Body's recommendations if the latter were implemented in full from 1 April. Taking discretionary increments into account as well, the year-on-year increase for Grades 2 and 3 would be 0.55 per cent greater, bringing the total increase for these grades up to around 6 per cent.

Pensions

22. In accordance with current practice, pensions should follow salary rates in payment and not any notional salaries. If the Government decides to defer or stage any Review Body awards, members of the Review Body group in question who retired during the period affected would suffer a permanent loss of pension. In the case of the Armed Forces Pension Scheme, deferment or staging may in some cases increase the likelihood that the pensions of persons who retire in the period affected will be overtaken by those of persons who retired in the previous year.

Review of MPs' pensions etc.

23. The TSRB has submitted to the Lord President a separate report on MPs' pensions and related matters. Ministers will wish to consider whether this should be published at the same time as the Review Body reports.

Teachers' Pay

24. The Secretary of State for Education published the report of the Interim Advisory Committee on School Teachers' Pay and Conditions on 19 April. The Committee recommends increases totalling 4.7 per cent: 4.3 per cent on basic pay and the balance on incentive payments. The Secretary of State has entered statutory consultations on the basis that the Government does not intend to revise the recommendations.

Timetable and next steps

25. Government decisions on Review Bodies' awards have generally been announced by way of a written reply. The same method seems appropriate this time. Ministers may wish to agree that the announcement should take place on 21 April. DHSS attach importance to careful presentation of the nurses' award: they point out that although 4 per cent will be paid immediately the balance

(with backdating) will await implementation of the new grading structure and some nurses will only get small further amounts then.

26. There is no Parliamentary process, except that an order is necessary to maintain the differential between the Lord Chancellor's salary and the Lord Chief Justice's in accordance with declared Government policy. Under the Ministerial and Other Salaries Act 1975 this requires an Affirmative Resolution in both Houses and has in the past created the opportunity for the debate on the whole TSRB Report. The Order cannot be retrospective. There is a case for amending the 1975 Act to exclude the Lord Chancellor's salary from the need for an Order subject to an affirmative resolution, but an appropriate legislative vehicle would have to be found.

Conclusions

27. Ministers are invited to decide whether to agree the Review Bodies' recommendations for each of the Groups in question and in particular:

- i. whether the extra cost of £749m falling on the NHS should be met in full from the Reserve or whether it should be reduced by omitting backdating for the nurses (paragraph 13) and/or the staging options for doctors and dentists in paragraph 14 and PAMs in paragraph 15;
- ii. whether there should be staging in the AFPRB payments (paragraph 16);
- iii. whether to stage the TSRB increase, by paying 4 per cent from 1 April and the remainder from 1 October (paragraph 17);
- iv. whether to raise County Court judges in Northern Ireland to Grade 5 in the judicial salary structure as recommended by the TSRB (paragraph 19);

v. whether to publish all the Review Bodies' reports on 21 April and announce decisions by way of Written Answer to an arranged Parliamentary Question;

vi. whether to publish the TSRB report on MPs' pensions at the same time, without Government recommendations, or whether to defer it until next month when it might be published at the same time as an announcement is made about increased financial assistance to Opposition parties.

CONFIDENTIAL

ANNEX A

TSRB Report

Typical increases

	Present pay £	Recommended pay, from 1 April 1987 £	Increase %
Head of the Civil Service	81,000	85,250	5.2
Permanent Secretary)			
Admiral)	65,000	68,500	5.4
General)			
Air Chief Marshal)			
Under Secretary)			
after 2 years')			
service)			
Rear Admiral)	37,000	39,000	5.4
Major General)			
Air Vice Marshal)			
Lord Chief Justice	81,000	85,250	5.2
High Court Judges	65,000	68,500	5.4
Circuit Judges	43,500	45,800	5.3

CONFIDENTIAL

ANNEX B

AFRB Report

Typical increases

	Present pay	Recommended pay, from 1 April 1988	Increase %
	£	£	
Brigadier	34,089	36,555	7.2
Lieut. Colonel on maximum.	27,271	29,247	7.2
Captain on maximum	16,272	17,418	7.0
Staff Sergeant, Band 4	11,108	11,830	6.5
Corporal I, Band 2	10,493	11,195	6.7
Private IV, Band 1	5,512	5,705	3.5

The same rates apply to equivalent ranks in the other Services.

The figures for Staff Sergeants, Corporals and Privates are for men committed to 6 years' but less than 9 years' service.

CONFIDENTIAL

ANNEX C

DDR B Report
Typical increases

	Present pay	Recommended pay from 1 April 1988	Increase %
	£	£	
<u>Hospital Staff</u>			
Consultant, on maximum	32,840	35,500	8.1
Registrar, on maximum	15,110	16,330	8.1
House Officer, on maximum	9,930	10,740	8.2
<u>General practitioners (average net income)</u>			
Doctors	26,840	28,800	7.3
Dentists	23,220	24,920	7.3

CONFIDENTIAL

ANNEX D

SAVINGS FROM VARIOUS STAGINGS

£ millions

	Average % increase	Cost of implementing in full	Savings by deferring to to 1 June	Saving if 4% from 1 April, balance 1 July 1 October
A. NHS				
(a) <u>HCHS</u>				
Doctors and Dentists	8.1	168	24	18 36
Nurses	15.4	803	134	147 294
PAMs	8.8	45	8	6 12
s/t HCHS		<u>1016</u>	<u>166</u>	<u>171 342</u>
(b) FPS	7.3	150	16	12 24
TOTAL NHS				
B. AFPRB	6.4	232	39	20 40
C. TSRB				
Civil Service	5.4	1.5)		
Military	5.4	0.5)	1	1/2 1
Judiciary	7.4	3.5)		
TOTAL				

Note: Where some members of a group get less than 4% in a Review Body recommendation, the savings from staging would be less.

CONFIDENTIAL & PERSONAL

COVERING SECRET

FROM: J F GILHOOLY
DATE: 19 April 1988

CHANCELLOR OF THE EXCHEQUER

cc. Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Dame Anne Mueller
Mr Kelly
Miss Peirson
Mr RobsonREVIEW BODY REPORTS:
MEETING WITH COLLEAGUES TOMORROW

behind

A copy of the revised paper is on its way to you separately from the Cabinet Office, following the discussion you and the Chief Secretary had (unbeknownst to colleagues) with the Prime Minister earlier today. I attach below a copy of the latest version of the draft written answer.

2. The cast list for tomorrow, apart from the Prime Minister and yourself, is the Lord Chancellor, Mr Younger, Mr Fowler, Mr Moore, Mr Wakeham, Mr Luce and the Chief Whip. *(CST not going)*

3. My submissions of Friday and yesterday set out the main briefing for this meeting (speaking notes were attached to the submission of yesterday). But there are a few points which I need to cover further.

Staging

4. MoD and the Lord Chancellor's Department will be briefing their Ministers to resist staging the TSRB. Their argument will be about the reactions of the military and the judiciary (especially those judges for whom greater-than-average increases are recommended). MoD do not expect Mr Younger to make much, if anything, of the minor pensions points and the points about Air Commodores and submariners detailed in Annex B of my note

of yesterday. MoD, at least, will however be briefing against any selective staging (ie stage the TSRB, but not the other two groups). It is not clear what line the Lord Chancellor would take on that.

5. DHSS will argue very strongly against staging of the DDRB award.

Consultation with staff interests

6. This may be raised by the Prime Minister. It arises particularly for the NHS and the Civil Service.

7. NHS DHSS practice (originally agreed with No. 10 in 1980) is

(a) to allow the Secretaries of the BMA and BDA to read (but not take away) copies of the DDRB report the evening before publication;

(b) for the Secretary of State to see the Chairmen of the BMA 'craft committees' (consultants; GPs; community physicians; and hospital juniors) with the BMA Secretary plus BDA representatives on the afternoon of publication; and

(c) to see the Chairman, Vice Chairman (Trevor Clay) and Secretary of the Nurses and Chairman and Secretary of the PAMs' staff sides also on the afternoon of publication.

For both (b) and (c) the Secretary of State explains the main points in the report, and the Government's decisions (including funding).

DHSS say that the point of these arrangements is to ensure that the professions' public reactions are reasonably well-informed. This is persuasive enough whether the news is good or bad from the professions' point of view; and to

date there have been no breaches of confidence. But the arrangement at (a) is risky; eg it is not impossible that one year the Government's decisions could change on the day of the announcement, putting a great strain on the discretion of the Secretaries of the BMA and BDA. You may wish to support the Prime Minister if it is argued that this "night before" practice be brought to an end.

8. Civil Service Practice here is that union representatives are invited in and, as the announcement is being made, told of the TSRB decisions and allowed, of course, to discuss them. This is leak proof, except to the extent that ^{being invited} it raises their expectations that an announcement is to be made.

9. I should record here that the CCSU has pressed in the past for consultation before the decisions are made, particularly if anything other than full implementation from 1 April is being considered. This has not, of course, been conceded, but you should know that they have made the same point to us verbally in the last few days. They have also said that they will ask to come and see the Paymaster to protest ("there will be a terrific row") if there is staging and they are not consulted in advance. Our advice would be that the Paymaster should see them, as he has before.

Other NHS points

10. DHSS now accept that there should be no blank cheque commitment on the cost of moving to clinical grading, but we are not making much progress with the DHSS at official level about controlling the actual regrading of nurses by the health authorities so as to avoid grade drift. Such controls remain vital, and we advise that you insist on the point with Mr Moore at tomorrow's meeting as part of your agreement to the package.

11. Either in the meeting, or in the margins afterwards, you may wish to raise with Mr Moore the point about a Treasury-DHSS look at the way responsibilities for negotiation of structural changes and the 'pricing' of those changes are split between management and staff fora and the Review Body.

Parliamentary Pensions (including severance pay and Office holders' pensions)

12. The Lord President has now minuted suggesting that publication of this report should be held back to next month.

Briefing

13. The Q & A briefing is in hand, but awaiting comments from Departments. I will submit the draft tomorrow.



J F GILHOOLY

(Note: incorporates
Tsy, & other depts' comments.
Fed into PM's box tonight.)
DRAFT OF 18 APRIL

[Signature] 18/4

Draft Question

To ask the Prime Minister if she will make a statement on the latest reports of the pay review bodies.

Draft Reply

The 1988 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the review bodies for these reports and the time and care which they have put into their preparation.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body	Average increase per cent	Range of increase percent	Cost ⁽¹⁾ £ million
Nurses, midwives and health visitors	15.4	4.2-33.6 ⁽²⁾	803 ⁽⁵⁾
Professions allied to medicine	8.8	7.6-9.5	45 ⁽⁵⁾
Doctors and dentists	7.9	7.3-8.1	318
Armed forces	6.4	2.5-7.3	232
Top Salaries	5.4	5.2-5.5 ⁽³⁾)	5.5
	7.4	5.3-11.9 ⁽⁴⁾)	

(1) UK public expenditure cost including employers' national insurance and superannuation contributions where appropriate, and Northern Ireland.

(2) Most fall within this range. Includes implementation of new clinical grading structure.

(3) Figures for civil servants and senior officers in the armed forces.

(4) Figures for the judiciary. Most fall within this range. Higher figures reflect structural changes for certain groups.

(5) Includes cost of additional payments to staff working in the London area.

4% on health
& rest on
Assembly, Services
1 April

as recommended
by Review Body

paid when
assimilates
places

~~No
specific
action
to
be
taken~~

The Government have decided that the increases recommended by the review bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, and on the Armed Forces should all be implemented in full with effect from 1 April. Payments to nurses resulting from assimilation to the new clinical grading structure will be backdated to 1 April. The recommendations of the review body on doctors and dentists, and of the Top Salaries Review Body, will be implemented as to 4% from 1 April 1988, with the balance from 1 October 1988.

The full cost of the awards for the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals this year. In the case of the health services, however, the Government recognise that this could not be done without adversely affecting services to patients. They have therefore decided that the cost for the health service groups in excess of the allocation already made for this year should be met from the Reserve. They will therefore provide an extra £749m from the Reserve for this year, of which £683m will be added to health authority cash limits.

delete

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer of 13 April 1984, at column 383.

Note Being revised, we gather, to make clear that no one will get less than 4% this year. (The RB report implies less than 4% for some and pay cuts for a few: but management invited to put right)

DS

SECRET AND CMO UNTIL 19.4.89

One copy for CST only.
ACSA
19/4/88

Prime Minister

I think it right to inform you in advance of your meeting on the Review Bodies' reports about discussions which I have been having with the Chief Secretary about the financial position of health authorities in the current year. The attached letter of 11 April sets out the position.

I have not reached lightly the judgement that health authorities need additional funds over and above the very substantial amounts required for the Review Bodies' recommendations. My judgement is based on hard facts derived from the improved monitoring arrangements agreed with the Chief Secretary last December. If we do not put in more money for the support of services, not merely for pay, health authorities will be forced to make large cuts in services and to resort once again to short sighted and damaging expedients such as deferring building maintenance and payment of creditors. Having considered their budgets for 1988-89, authorities have already planned these measures and will need to implement them in the near future.

SECRET AND CMO UNTIL 19.4.89

SECRET AND CMO UNTIL 19.4.89

I cannot stress too strongly the importance of this issue. We are about to consider the need to inject additional resources into the Health Service for the cost of the Review Bodies' awards. If we are to secure by this action anything more than a transient improvement in public confidence in our management of NHS financing, we have to go further and ensure that health authorities have adequate funding for the financial year. The strong evidence is that at present they do not. If we fail to act, we shall very quickly lose the advantages of favourable decisions on Review Body funding. The events of last year show clearly how damaging it is to wait until cuts in services are already happening, before facing the need for additional resources. We should not repeat that mistake.

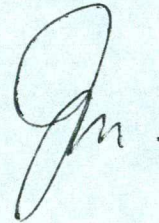
I have discussed the position with the Chief Secretary but it has not yet been possible to reach agreement. I think you should know about the position now, however, because it is clearly germane to tomorrow's discussion on funding of the Review Body awards.

SECRET AND CMO UNTIL 19.4.89

E.R.

SECRET AND CMO UNTIL 19.4.89

I am sending copies of this minute and enclosure to the Chancellor, the Lord Chancellor, Secretary of State for Defence, Secretary of State for Employment, the Lord President, the Chief Whip, Minister of State Privy Council Office and Sir Robin Butler.



JM
19 April 1988

SECRET AND CMO UNTIL 19.4.89



DEPARTMENT OF HEALTH AND SOCIAL SECURITY CHIEF SECRETARY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Services

REC.	19 APR 1988
ACTED BY	Mr Saunders
COPIES TO	Cx, FST, PMG, EST
	Sir P. Middleton, Mr Anson
	Dame A. Mueller, Mr Phillips
	Mr C. Kelly, Miss Pearson
	Mr Turnbull, Mr Gilhooly
	Mr Richardson, Mr de Beke
	Mr Griffiths, Mr Tyré
	Mr Call.

CONFIDENTIAL

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury Chambers
Parliament Street
London
SW1P 3AG

19 April 1988

We discussed last night the drafting of the Government's evidence on back-dating of the additional payments due to nurses under the clinical grading review.

The background is set in your letters of 11 and 17 December to Tony Newton. Essentially we all wanted the Review Body to regard this year's pay award and the clinical grading structure as a single package, to avoid the risk that they would recommend a very high 1 April award with the cost of the structure to follow. We have of course been successful in that.

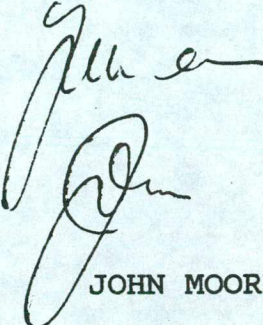
The Review Body received two pieces of evidence on the matter, both in late January. One was in the evidence from the two sides of the Negotiating Council, which said "These grading definitions are set out in the attached Annex and the Review Body is asked to recommend rates for the new scales from 1 April 1988 in the form of a pay spine." The other was in the Health

33A/H

E.R.

Department's written evidence which said "The Negotiating Council has agreed that there should be a common operative date for the introduction of the new grading structure of 1 April 1988". I understand that the first was specifically agreed between our officials. The second was amended from earlier drafts following your letters, by the substitution of 1 April 1988 for 1 January 1989. A draft of the evidence, containing this paragraph in its revised form, was sent to your officials on 11 January, 11 days before its submission to the Review Body. During this period, your officials offered amendments on other parts of the draft, but did not comment on this.

On this basis I have to say that I see no reason for confusion over this issue.



Handwritten signature of John Moore, consisting of a stylized 'J' and 'M' followed by a horizontal line.

JOHN MOORE

CONFIDENTIAL

FROM: J F GILHOOLY

DATE: 20 April 1988

APS/CHANCELLOR

*Ch/OK for me
 to send across?
 hgw*

cc PS/Chief Secretary
 PS/Paymaster General
 PS/Sir Peter Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Kelly
 Miss Peirson
 Mr Robson
 Mr R Wilson (Cab Off)

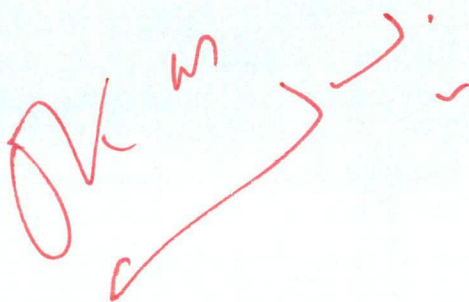
TSRB: PRIME MINISTER'S LETTER TO LORD PLOWDEN

1. No.10 have asked for a draft letter for the Prime Minister to send to Lord Plowden. I understand he has already been told informally about the announcement tomorrow; but the letter is a more public event, which will ~~not~~ doubt be circulated to the members of the TSRB.
2. I attach a draft, modelled on last year's version which is attached below. (The final few words are very much for No.10 to consider).



J F GILHOOLY

OK m



**DRAFT LETTER FROM: THE PRIME MINISTER
TO: LORD PLOWDEN, KCB, KBE**

I am writing to thank you, and through you your colleagues on the Top Salaries Review Body, for your latest report and recommendations on top salaries. I am grateful once again for the time and effort that you all put into the work.

As you know, we decided to accept your recommendations, and to implement them as to 4 per cent from 1 April 1988 and as to the balance from 1 October 1988. This decision to stage the implementation embodied the Government's view that it would be important to reflect on this occasion offers made to civil servants in the grades below those covered by the Top Salaries Review Body. Those grades have generally been offered 4 per cent with effect from 1 April 1988; later in the year there will be certain further increases for some groups, associated with the introduction of new pay and salary arrangements. So the pattern of staging which we have set for your recommendations broadly reflects what is happening lower ^w done.

May I end by repeating my thanks for the work you have done (and by expressing my ~~strong hope~~ ^{gratitude} that you ~~will feel able~~ ^{have agreed} to continue as Chairman to steer the Review Body through next year's review.)

COPIED FROM
APPOINTMENTS10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

24 April 1987

Dear Lord Plowden,

I am writing to thank you, and through you your colleagues on the Top Salaries Review Body, for your latest report and recommendations on top salaries. I am grateful as always for the time and effort that you all put in to the work.

As you know, we decided to accept your recommendations, and to implement them as to 4.25 per cent from 1 April 1987 and as to the balance from 1 October 1987. As I made clear in my announcement, this decision to stage the implementation embodied the Government's view that it would be important to reflect on this occasion offers made to civil servants in the grades immediately below those covered by the Top Salaries Review Body. Those grades have been offered 4.25 per cent with effect from 1 April 1987; later in the year there will be certain special increases which will bring the increases in the total cost of the pay bill for the year as a whole up to a figure of 5 per cent or a little more. So the pattern of staging which we have set for your recommendations broadly reflects what is happening lower down.

You will also have seen that at the same time I announced that we were going ahead with the scheme for

discretionary increments for grades 2 and 3 in the current financial year. I am very glad that we are thus at last putting into effect the recommendations made by the Review Body two years ago.

I note that the Review Body has decided to put in hand a fundamental review for 1988. As you know, it is my strong hope that you will feel able to continue as Chairman to steer the Review Body through that review.

Yours sincerely

Rajesh Khanna

The Lord Plowden, KCB, KBE.

CONFIDENTIAL

FROM: MISS M E PEIRSON

DATE: 20 April 1988

CHIEF SECRETARY

cc Chancellor
 Financial Secretary
 Paymaster General
 Economic Secretary
 Sir P Middleton
 Mr Anson
 Dame A Mueller
 Mr Phillipps
 Mr C W Kelly
 Mr Turnbull
 Mr Gilhooly
 Mr Richardson
 Mr de Berker
 Mr Saunders o/c
 Mr Griffiths
 Mr Tyrie
 Mr Call

*Very bad. From my
 conversations with Sir
 Almonson, I do not believe
 we had have the no
 better had this was
 standard in this
 way.*

NURSES PAY: GOVERNMENT EVIDENCE ON BACK-DATING

Mr Moore's letter of 19 April attempts to defend the DHSS's behaviour over what was said to the Review Body concerning back-dating. Everything he says is literally true, but it is nonetheless scandalous that he should not apologise fulsomely for a very serious error by his department.

2. It was indeed the Treasury's suggestion that, as Mr Moore says in his second paragraph, the Review Body should be encouraged to price the new clinical grading structure from 1 April, to avoid a very high recommendation for an interim "cost of living" award prior to the regrading. Your letter of 11 December (attached) said:-

"On the date of implementation, it is most important that we should wrap up as many things as possible in next year's settlement. The Review Body should therefore be invited to recommend a pay structure which could be implemented from 1 April 1988. But we should not rule out any options, including staging or delaying the introduction of some features. It should therefore be made clear to the unions on Tuesday that the Government would, as usual, be making no commitment to introduce a new structure from any particular date."

And your letter of 17 December (attached) which actually was more about trying to include geographical pay as well, said:-

"The Government evidence must seek to persuade the Review Body to price the package as a whole, whatever decisions we may take later about partial or staged implementation."

3. The qualifications in your letters, about retaining Government freedom to introduce the new structure when it chose, were, of course, vital, and agreed with the DHSS before you wrote. DHSS agreed to make it clear to the unions, and the wording of the joint evidence, which Mr Moore quotes (the first of his quotations) was specifically agreed against that background. Perhaps the wording was not ideal: it might have been better to say "which could be implemented from 1 April"; but there was no misunderstanding between the Treasury and DHSS about the fact that the Review Body were not being told that implementation would be from that date.

4. The second piece of evidence which Mr Moore quotes, from the DHSS evidence supplementing the joint evidence, is far more damaging, and DHSS have virtually agreed orally that it arose from simple error. As Mr Moore says, the earlier drafts had a sentence which ended "1 January 1989". That was at a very early stage, before the Treasury suggestion that the Review Body should be asked to cost from 1 April to avoid a high interim award. The sentence should never have been simply amended to substitute a different date. It is true that a draft of the whole of the DHSS evidence, with that sentence in it, was sent to us on 11 January, but no attention was drawn at all to that sentence, and in the press of business it was not spotted. The assumption in ST was that the matter of what should be said about dates had been settled long ago, with your letters of December, and other issues in the evidence required attention.

5. For Mr Moore to defend himself by saying that we did not spot, in the last minute rush, a gross error by his department, is unacceptable.

6. There are two further questions remaining. First, it seems virtually certain, from conversation with DHSS, although they are not admitting it specifically, that the Review Body asked, when DHSS were giving oral evidence, whether the new grading structure payments would be backdated to 1 April, and that DHSS said that they would. DHSS say that the Review Body made it clear that if the payments were not backdated they would indeed recommend a higher interim award. Nonetheless, DHSS had absolutely no authority for saying anything of the kind, which is in contradiction of what you had said in your letters. However, we have no proof of what they said: they say that there is no transcript.

7. The second question is whether, as DHSS assert, we would have done no better if DHSS had been more careful with their evidence. It does seem quite likely that, if the Review Body had been in any doubt at all that the payments would be backdated, they would have recommended a significantly higher interim award, with the same high costs of regrading added on. So possibly the Government has not lost anything by DHSS's behaviour, but we shall never know.

8. I attach a draft reply.


MISS M E PEIRSON

DRAFT LETTER FROM CHIEF SECRETARY TO MR MOORE

NURSES PAY: GOVERNMENT EVIDENCE ON BACKDATING

I am amazed by your letter of 19 April.

2. As you rightly say, the background was set out in my letters of 11 and 17 December. It was clearly agreed between our two departments then that there should be absolutely no commitment to introducing the new clinical grading from any particular date, and that that should be made clear to the unions as well as to the Review Body. The sentence you quote from the joint evidence was specifically agreed between our departments on the basis of that understanding. Had it remained as the only Government statement on the subject, the Review Body could not have claimed that they were told that there would be backdating.

3. The sentence you quote from your department's separate written evidence is, however, far more damaging, and plainly an error by your officials. It is quite clear that we would never have agreed to such a sentence, and, if you had really wanted to say something which was so plainly in contradiction of the agreement set out in my letters, your department should have drawn the proposition to our attention. You cannot defend your department's gross error on the grounds that busy officials here did not spot it.

4. I should be grateful if you could let me see what was said in oral evidence by your department to the Review Body. It should have been possible then to clear up the confusion.

5. Subject to that, the position remains that your department gave evidence to the Review Body which naturally led them to believe firmly that the Government would backdate to 1 April, in flat contradiction of what had been agreed between us in December.



MP

Ch/ Review body papers back for Cabinet folder. Briefing amendments passed on to officials.

More cock-ups on DTSS numbers for doctors' % increases, further to last night's. Average increase figures cover about 95% of doctors: adding extra scale point for senior house officers gives some +14%. And extra on allowances for ^{working v. long hours} housemen, means some get +22%. PM is aware

mpw.

I have marked some pts.

Ch/

1. Briefing behind, for your approval. Some figs not quite final

CHANCELLOR OF THE EXCHEQUER

FROM J F GILHOOLY

2. Substance

DATE 20 APRIL 1988

Mr Gilhooly is v. restrained about the latest DHSS incompetence (para 3) - only in the briefing exercise did it become obvious that Doctors' average increase taking settlement as a whole not 7.9% as Mins were told when making decisions but nearer 10% when allowances for medical insurance taken into a/c. CST is aware & appalled. Paul G.

- cc Chief Secretary
- Paymaster General
- Sir Peter Middleton
- Mr Anson
- Dame Anne Mueller
- Mr Kelly
- Miss Peirson
- Mr Robson

*ppsr return
signature Lab. v.*

CABINET 21 APRIL: REVIEW BODY REPORTS

will be drawing PM's attention to this, proposing small amendments

The Cabinet Office are circulating later this evening their paper for Cabinet tomorrow, together with the draft of the Prime Minister's statement. I understand that it fairly reflects the discussion with the Prime Minister and colleagues this morning and the basic line to take at Cabinet will be to support the proposals.

*Appall
But hint
spots this*

2. The only area where there might be pressure from colleagues coming new to this is on the staging of the TSRB recommendations. If so (and we have picked up no hints that there will be pressure), you may wish to draw on the arguments in the speaking note attached to my submission of 18 April. Mr Kelly's note of today about possible developments on the civil service pay negotiations strengthens the case for staging the TSRB. Not to stage would make the handling of the NUCPS and CPSA all the harder.

3. The other point that might attract comment is the DDRB's proposal that two thirds of the cost of subscriptions for the medical defence insurance should be treated as a reimbursable expense rather than (as until this year's report) being taken account of by the DDRB in setting doctors' and dentists' pay. The cost of the charge is included in the costings of the recommendations. You should know that DHSS have told us this evening that the paper's figures for the percentage increases in doctors' and dentists' pay are confined to the recommended

ie included in basic

to written answer (ie footnote that, taking higher allowances into a/c, overall benefit to docs a couple of % higher, headline increase still quoted as 7.9). Possible that she may summon Mr Moore pre-Cabinet to account for his officials' untimely arithmetic.
 from 1 Jan 88
 Apr 20/4

increase in actual salaries. These percentages thus understate the benefit of the recommendations, by 1 to 2 per cent for consultants, and by a little more for junior doctors. (The latter benefit further from enhanced supplements for working contracted hours greater than 104 hours a week). We have alerted the Cabinet Office to this point which DHSS should have pointed out earlier.

Handling

4. Assuming Cabinet agrees the proposals in the Cabinet Office paper, the written answer will be laid at 4 pm tomorrow.

Briefing

5. I attach below the main general briefing, plus the bull points on the nurses and DDRB, and other parts of the background briefing.

6. Also attached are the draft speaking notes which DHSS have given Mr Moore for his meetings with the BMA/BDS and the nurses' staff sides tomorrow afternoon.

7. The public expenditure figures are being given a last checking over. Manuscript amendments are changes we have asked DHSS to make. The briefing will be finalised tomorrow morning after the Cabinet decision is known. We would be grateful for comments.

8. We are giving IDT background facts and figures on the TSRB groups tomorrow; but the basic line to take is as set out below.



J F GILHOOLY

BRIEFING

Attached are

- (a) General briefing
- (b) Main points / bull points on NHS groups and financing.
- (c) Fuller brief on NHS financing.
- (d) ~~Details~~ of part RB decisions.

Also attached are DHSS speaking notes for Mr. Moore's meetings with BDA, BMA & Nurses staff sides on Thursday afternoon.

DRAFT OF 20 APRIL

Q AND A BRIEFINGDECISIONS1. What did the Review Bodies recommend?

<u>Review Body</u>	<u>Average Recommendation</u> (%)	<u>Range (%)</u>	<u>Cost (1)</u> (£m)
<u>Armed Forces</u>	6.4	2.5-7.3	232
<u>Doctors & Dentists</u>	7.9	7.3-8.1	318
<u>Nurses & Midwives</u>	15.3	4.2-33.6(3)	803
<u>Professions Allied to Medicine</u>	8.8	7.6-9.5	45
<u>TSRB Civil Service</u>	5.4	5.2-5.5)	
<u>Senior Armed Forces</u>	5.4	5.2-5.5)	5.5
<u>Judiciary</u>	7.4(2)	5.3-11.9)	

(1) The figures for public expenditure cost differ from those in the review bodies' reports. The review bodies' figures do not include some costs which count as public expenditure.

(2) The TSRB's recommendations for the judiciary provide for increases of about 5.4 per cent for most members of the judiciary. The higher increases shown above reflect structural recommendations for certain groups. In half a dozen cases the increase will be 23.7 per cent.

(3) Most nurses and midwives would fall within this range. At extremes the Review Body suggest that some staff could get up to 60 per cent.

2. What is being awarded?

All recommendations are being implemented in full from the due date,

~~except that~~ the TSRB group's increases are being staged, with 4 per cent from 1 April and ~~a further~~ the balance from 1 October.

Points to Make

1.5

All the above increase compare with an increase in the Retail Price Index of 3.5 per cent and in Tax Price Index of 1.8 per cent in the 12 months to March 1988. [The Tax Price Index, or TPI, measures the average increase in gross taxable income needed to compensate taxpayers for any increases in retail price index after taking account of changes to direct taxes and employee National Insurance Contributions].

GOVERNMENT RECORD

3. Nurses/Professions Allied to Medicine

Table below sets out record over various time periods:(Source: DHSS)

Pre-1988 RB Awards (Real Changes in Pay Rates)

	<u>Nurses</u>	<u>PAMs</u>	<u>Staff Nurse (max)</u>	<u>Ward Sister (max)</u>
1974-79	-21.2	-21.2	-17.1	-21.0
1979-1987	+29.1	+34.1	+28.7	+38.3
1983-1987	+15.5	+20.0	+18.2	+24.1

Post-1987 RB Awards (Real Changes in Pay Rates)

	<u>Nurses</u>	<u>PAMs</u>	<u>Staff Nurse (max)</u>	<u>Ward Sister (max)</u>
1974-79	-21.1	-21.2	-17.1	-21.0
1979-1988	+43.8 (average)	40.1	+33.0 to 53.9	+39.2 to 55.1
1983-1988	+27.8 (average)	26.1	+22.2 to 41.5	+24.9 to 39.1

average
max

Note Figures are percentage changes in pay rates from pay round to pay round (1 August to 31 July) deflated by the RPI increase over the same period. The numbers in the first table are the most recent published numbers on the respective records of the Administrations; the second table brings the earlier table up to date following the 1987 award. [It assumes an increase in the RPI of 3.5 per cent in the year to July 1987].

1988

4. Government kept faith with nurses

Government has:

- (a) Implemented pay increases lifting nurses pay by 43.8 per cent in real terms since 1979;
- (b) Established Review Body to determine their pay in 1983 and implemented all awards [~~staging in 2 out of 5 years to contain costs~~] - 28.7 per cent increase has resulted since 1983.
(r. terms)?
- (c) Reduced working week by 2½ hours in 1980;
- (d) Increased numbers of nurses and midwives by 33,600 after compensating for reduction in hours. [Since end-1978 nurses and midwives increase 62,800; of which 29,200 reflects 1980 reduction in working hours].

5. Nurses' Earnings

As well as increases in basic pay rates nurses are eligible for additional payments (mainly for unsocial hours and overtime). Currently average earnings (excluding London Weighting) of full-time staff in the main nursing grades are estimated to vary by between 12 and 24 per cent more than basic pay. It is estimated that, an enrolled nurse (on maximum) will after implementation of the increases and regrading would typically carry £188 to £208 per week, a staff nurse (on maximum) £206 to £236 per week and a sister (on maximum) about £273 to £304 per week. The exact figure will depend on his or her grading in the new structure. (These figures exclude ~~tax~~ ^{London Weighting} and the new London pay supplements recommended by the Review Body which together are worth up to £188 a year.)

6. Doctors

The table below sets out the record over various time periods:

	(1) <u>1974-79</u>	(2) <u>1979-87</u>	(3) <u>1979-88</u>
House Officer (max)	-16.8	+ 26.8 29.6	+ 35.4
Consultant (max)	-24.6	+ 34.5 34.1	+ 40.0
General Practitioner (average)	-15.8	+ 30.1 29.7	+ 34.5
Average	-23.7	+ 33.0 32.5	+ 38.2

Note Figures are percentage changes in pay rates from pay round to pay round (1 August to 31 July) deflated by the RPI increase over the same period. Column 1 is the record of the Labour Government; Column 2 is the position up to and including implementation of the 1987 award; Column 3 is the position after implementation of the 1987 award, (assuming an increase of 3½ per cent in the RPI in the 12 months to July 1987).

7. Junior Doctors Earnings

Average salary for house officers was £14,458 in 1987, will become estimated £15,637 in 1988.
~~House Officers average earnings in 1987 were compared with a scale maximum of £9,180, once extra duty allowances, on call supplements etc. are taken into account. Average earnings for house officers rose [25] per cent in real terms between 1979 and 1987.~~

8. Doctors Numbers

September 1986 nearly 14,000 (GB) September 1978.
At ~~[March 1987] over [12,000]~~ more doctors and dentists than ~~end 1978.~~

9. Armed Forces

Government has honoured Manifesto commitments to restore and maintain comparable salary levels for the Armed Forces with civilian earnings. All AFPRB recommendations have been implemented. ~~(Staging in 1984 and 1986 to reduce first year cost but full rates implemented by year end).~~

TSRB Benefited from major restructuring three years ago, and senior civil service grades 2 and 3 have benefited from performance pay opportunities introduced last October. Staging? Special case, because of relationship with Civil Service pay. Staging of military judges maintained relative to recommended by TSRB.

Squeeze on Defence Budget?

This award can be contained within the cash limit.

Running cost implications of TSRB?

Tiny. Will be financed within existing running cost limits.

PAY POLICY

Why no staging for anyone besides TSRB?

? Government implementing what Review Bodies recommended. TSRB a special case because of links with other civil service pay.

. Implications of nurses award for others eg NHS non-Review Body groups, civil service

~~None.~~ Each group's pay is determined according to what is necessary to recruit, retain and motivate and what can be afforded. Inevitably this will mean different increases for different groups.

How does Govt justify 15.3% for nurses, while calling for lower settlements for others?

X - Mention clinical grading review, surely? *Indeed*
Review Body makes out the case for nurses' award: increasing recruitment/retention problems, need to make nursing more attractive career to recruit enough school leavers in 1990s when numbers declining. Does not invalidate argument for lower general settlement levels to improve competitiveness and create jobs.

Access to Reserve for ~~third~~ successive year. Makes nonsense of claim that pay/price increases will be financed within cash limits?

It was not possible for Health Authorities to meet the full cost of the Review Body recommendations from within their own resources without reducing services unacceptably. The decision to add to cash limits reflected the wholly exceptional circumstances created by the Review Body recommendations *and in particular the cost of the clinical grading review for nurses.* and should not be regarded as creating a precedent. Certainly does not mean pay increases for others will be financed this way,

(b)
CONFIDENTIAL

NHS

/ FINANCIAL ASPECTS : BULL POINTS

- additional provision for 1988/89 announced today is £749m (UK) (£596m (England) - £542m (English health authorities))
- total cost of awards £1166m (UK) - £923m (England)
- total cost of Review Body awards fully funded by Government
- new UK total expenditure (current and capital) on NHS in 1988/89 is £23,490m (£23.5 billion); £18,947m (England)
- cash increase in UK (current and capital) over last year is £1953m (almost £2 billion); £1574m (England)
- cash increase in UK health authorities current expenditure over last year is 10.1%
- real terms increase in UK health authorities current expenditure over last year is 5.3%
- annual amount spent on NHS per family in 1988/89 will be £1650 (UK)
- total cost of nurses pay award this year £803m (UK), £633m (England) fully funded by Government
- total cost of PAMS pay award £45m (UK), £35m (England) fully funded by Government
- total cost for doctors and dentists is £318m (UK), £255m (England) fully funded by Government
- extra £45m to meet the new London pay supplement for nurses and PAMS

NURSES PAY AWARD: BULL POINTS

- Highest ever real terms pay - higher than Halsbury (1974) and Clegg (1979).
- 43.8% real terms increase since 1979
- 28.7% real terms increase since 1983.
- Government has set up independent Review Body, implemented all five of their awards and funded over 90% of the cost of those awards.
- New clinical grading structure biggest shake-up in grading since 1948. Major opportunity to establish worthwhile career progression for nurses who wish to remain in clinical work. *step forward? / ?*
- Will play vital part in overcoming recruitment and retention problems by giving significant pay increases to staff in shortage specialties associated with advanced skills.
- London pay supplements will mean that, with the increase in basic pay this year, increases for staff nurses and sisters in Inner London will be in the range of £27-£57 per week.
- starting pay for a staff nurse in Inner London is now £9,677 and for a sister it is £12,048 - in each case this is more than the previous maximum basic pay for the grade.

Staff Nurse

- Pay on qualification now over £8,000 (£8,025), and increase of almost 10%;
- the maximum for the basic grade of staff nurse (D) goes up by 7%; now paid around £2,280 more in real terms than in 1979;
- maximum for staff nurses with extra skills and responsibilities (paediatric intensive care, theatres etc) now £10,650 - an increase of over £2,000 a year (£2050) or almost 24%.

Sister

- Starting pay on promotion now £10,200 - an increase of 13%.
- maximum for sister on an acute ward now £13,925, an increase of 16%. This latest award means that she will have had a real terms increase in pay of 55% or £4,945 since 1979.
- lowest increases (4.2%) for some sisters not on acute wards or in teaching areas but they all stand to benefit from better career prospects.

Labour's record

- Under Labour, nurses received pay increases of less than the rate of inflation 3 years running.
- In 1976/77, Labour cut nurses' pay by over 10% in real terms.
- In the 5 years between 1974/75 and 1978/79 Labour cut nurses' pay in real terms in 4 of them.
- Nurses pay fell by 21% in real terms in the 5 years to 1979.

POINTS FOR NURSESAverage Award

- Overall increase in paybill 15.3% or £633m in England (£803m UK)

Basic Pay

- Large range of increases: 4.2% to 33.6% and more in some cases.
- Biggest increases for new clinical grades, for example

Staff nurses in Scale E = 23.8%-26.0%
Sisters in Scale G = 16%-33.6%

Smaller increases for:

Staff nurses in Scale D = 7.0%-9.9%
Sisters in Scale F = 4.2%-13.3%

- 4% payment on account for clinical grades, pending regrading. (Deadline for regrading 31 October 1988.)
- Increases for staff not covered by new clinical grades of:
 - Senior nursing grades = 5.1%-8.5%
 - Students = 6.3%-7.8%

London Pay Supplements

- Supplements of:
 - 9% for qualified staff in Inner London (up to max of £958 pa)
 - 5% for all other staff in Inner and Outer London (up to max of £532 pa)
 - 2.5% for all staff in Fringe Zone (up to max of £266 pa)
- All supplements payable in addition to London weighting, but abated as with London weighting for staff in residential accommodation.
- All supplements payable from 1 April. Those for clinical staff to be based on present pay plus 4% payment on account.

Leads and Allowances

- Special Duty Payments: rates unchanged but maximum basic salary to attract such payments imposed at £12,500.
- Small increase in psychiatric lead (to £220), no increase in geriatric lead.
- Small increases in stand-by and on-call and a number of smaller allowances.

DDRB 1988 REPORT
KEY POINTS

1. Average increase 7.9%, 8.1% for HCHS grades, 7.3% for gps.

CONSULTANTS

2. Scale maximum increased from £32,840 to £35,500. Distinction awards up 8.1%; value of A and A+ awards up 9.2% and 14% respectively. Top earnings for consultants therefore £69,220.

JUNIORS

3.1 General increase of 8.1%. Average salaries at scale maximum therefore

	<u>Current</u>	<u>Recommended</u>
House Officer	14,458	15,637
Senior House Officer	17,668	20,235
Registrar	21,275	22,993
Senior Registrar	24,140	26,081

3.2 pay supplements for juniors with longest contracted hours (104+) doubled.

3.3. additional point added to SHO scales

OTHER GRADES

4. All other grades get 8.1%, except gps holding hospital appointments (7.3%).

GENERAL PRACTITIONERS

5. Average net intended remuneration for gmps increased from £26,840 to £28,800 and target average net income for gdps from £23,200 to £24,920 (7.3%). Fees and allowances for gps take account of overpayment of £61 in 1985/86. The average expenses provision for gmps is set at £13,480.

DEFENCE SOCIETY SUBSCRIPTIONS

6. The DDRB recommends that $\frac{2}{3}$ of cost of subscriptions for HCHS grades (full-timers plus part-timers working solely for NHS) be directly reimbursed. This amounts to £720 for those paying the full rate.

Distinction Awards

7. DDRB recommends review of distinction awards system, particularly noting criticism of secrecy, lack of management input, age at which awards are made and the fact that they are not subject to review.

NHS FINANCING

[FIGURES BEING UPDATED]

What will it cost?

Total UK cost in 1988-89 of awards is £1166 million. Inflation factors built into existing NHS provision cover £417 million of this. Remaining £749 million will be met from Reserve.

Health expenditure in 1988-89

NHS current expenditure in England will be increased by £596 million to £17,902 million. This is £1,637 million more than the estimated outturn for 1987-88. Gross current spending will thus be 10% higher than last year - an increase of well over 5% in real terms. When the proceeds of their cost improvement programmes and income generation schemes are taken into account, resources available to health authorities will be nearly 7% higher in real terms. Large increases also in Scotland, Wales and N Ireland.

[See attached table]

This year NHS will spend around £400 for every man, woman and child in the country.

Will Scotland, Wales, N Ireland increases give what is needed, or only formula increases?

Increases in Scotland, Wales and N Ireland are calculated as what is necessary to fund the pay awards.

What about future years?

Provision for 1989-90 onwards will be reviewed in the public expenditure survey. Decisions will be announced in the Autumn Statement.

[More money needed this year to prevent cuts in services?

Health authorities were getting significant real terms increases even before this announcement. Any uncertainty they may have had over the financing of review body awards is now removed.]

Further increases to meet other NHS pay settlements?

No. Cost of pay awards to other groups (a significantly smaller proportion of the pay bill than doctors and nurses) will have to be met from cash limits, like other price changes.

What if nurses clinical grading review turns out to cost more than suggested by review body?

Government believe this announcement will give health authorities ample funds with which to carry out regrading. Health authorities will obviously have to have regard to cost in implementing the new arrangements, and will need to keep within their new cash limits.

NHS review

A separate matter from these decisions. Government is conducting a wide ranging and fundamental review of the NHS. Proposals will be made in due course.

NHS EXPENDITURE 1987-88 AND 1988-89

	New 1988-89 provision fm	Increase fm	1987-88 est outturn fm	real terms % increase	
				cash	inc cips
NHS (UK) - net	22,567	749	20,715	4.25%	5.0% <i>£1852 of which £749 for RB demands</i>
NHS England - gross current	17,902	596	16,265	5.3%	6.3%
HCHS England - gross current	12,633	542	11,473	5.4%	6.7%

- Notes
1. Assumes £163 million new cost improvement (143) and income generation (20) savings in 1988-89.
 2. Real terms increase measured against GDP deflator of 4.5%.
 3. Estimated outturn for 1987-88 includes 16 December 1987 announcement, plus £44 million carried forward underspend adjustment.

Increases in each territory

	fm 1988-89 HCHS	FPS	NHS
England	542	54	596
Scotland	86	6	92
Wales	34	4	38
N Ireland	<u>21</u>	<u>2</u>	<u>23</u>
UK	683	66	749

Review Body Recommendations and Awards 1971-87

	<u>AFPRB</u>	<u>DDRB</u>	<u>NPRB</u>		<u>TSRB</u>	
			<u>nurses</u>	<u>pams</u>	<u>senior civil service & senior military</u>	<u>judiciary</u>
<u>1971</u>	<u>RPI</u> 9.4	<u>TPI</u> n/a				
Recommendation Implemented	-	8%	-	-	-	-
		8%	-	-	-	-
<u>1972</u>	<u>RPI</u> 6.3	<u>TPI</u> n/a				
Recommendation Implemented	10%	8%	-	-	6.8%	6.8%
	10%	8%	-	-	6.8%	6.8%
<u>1973</u>	<u>RPI</u> 9.2	<u>TPI</u> n/a				
Recommendation (a) Implemented	6.5%	4.5%	-	-	£250 pa	£250 pa
	6.5%	4.5%	-	-	£250 pa	£250 pa
<u>1974</u>	<u>RPI</u> 15.2	<u>TPI</u> n/a				
Recommendation (a) Implemented	13%	7.4%	-	-	£350 pa	£350 pa
	13%	7.4%	-	-	£350 pa	£350 pa
<u>1975</u>	<u>RPI</u> 21.7	<u>TPI</u> 26.2				
Recommendation Implemented	29.5%	30% (b)	-	-	(c)	(c)
	29.5%	15%	-	-	(c)	(c)
<u>1976</u>	<u>RPI</u> 18.9	<u>TPI</u> 21.0				
Recommendation (a) Implemented	£6 pw	£6 pw	-	-	£6 pw	£6 pw
	£6 pw	£6 pw	-	-	£6 pw	£6 pw
<u>1977</u>	<u>RPI</u> 17.5	<u>TPI</u> 16.3				
Recommendation (a) Implemented	5% £208 pa (2½%)		-	-	£208 pa	£208 pa
	5% £208 pa (2½%)		-	-	£208 pa	£208 pa
<u>1978</u>	<u>RPI</u> 7.9	<u>TPI</u> 2.1				
Recommendation Implemented	32%	10%	-	-	35%	35%
	13% (d)	10%	-	-	10%	10%
<u>1979</u>	<u>RPI</u> 10.1	<u>TPI</u> 12.3				
Recommendation Implemented	32.5%	25.7%	-	-	23.2%	22.9%
	32.5%(e)	25.7%(f)	-	-	13.4%(f)	12.5%(f)
<u>1980</u>	<u>RPI</u> 21.8	<u>TPI</u> 18.4				
Recommendation Implemented	16.8%	31.4%	-	-	38.2%	35.7%
	16.8%	31.4%	-	-	12.3%*	12.1%*

* Abated

AFPRBDDRBNPRBTSRBnursespamssenior civil service
& senior militaryjudiciary

	<u>IPI</u>	<u>TPI</u>					
<u>1981</u>	12.0	15.7					
Recommendation			10.3%	9%	-	-	23.0%
Implemented			10.3%	6%	-	-	7.0%
<u>1982</u>	9.4	9.7					
Recommendation			6.1%	9%	-	-	19.4%
Implemented			6.1%	6%	-	-	14.3%
<u>1983</u>	4.0	3.5					
Recommendation			7.2%	9.7% (b)	-	-	11.7% (b)
Implemented			7.2%	7.7%	-	-	5.8%
<u>1984</u>	5.2	4.1					
Recommendation			7.6%(b)	6.9%(b)	7.5%	7.8%	6.5%(b)
Implemented			4.9%	4.6%	7.5%	7.8%	4.5%
<u>1985</u>	6.9	6.4					
Recommendation			7.1%	6.3%(b)	8.6%(b)	12.1%(b)	12.2%(b)(g)
Implemented			7.1%	5.3%	5.6%	5.6%	7.1%
<u>1986</u>	3.0	1.2					
Recommendation			7.46%(b)	7.6%(b)	7.8%(b)	8.2%(b)	6.5%(h)
Implemented			5.6%	5.7%	5.85%	6.15%	3.0%
<u>1987</u>	4.2	2.5					
Recommendation			5.96%	7.7%	9.5%	9.1%	4.8%(b)
Implemented			5.96%	7.7%	9.5%	9.1%	4.25%(b)

Notes

- Review Body recommendations and awards restricted to those allowed under pay norms.
- Staging reduces in-year cost. Full recommended rates paid by year-end.
- A second TSRB report in 1974 recommended increases of 28.8%. The Government implemented increases varying between 14.4% and 28.8% for individuals on 1.1.75 and announced an intention to pay the second stage on 1.1.76. However, the second stage was not paid because of pay policy.
- 10% pay policy norm plus 3% for introduction of the 'x' factor.
- Labour Government implemented 24.2% increase just before May 1979 election. Incoming Conservative Government implemented a further 8.3% to restore fully comparable salaries.
- Implemented by the Conservative Government.
- Figure is for senior civil service. Senior military recommendations were 17.6 per cent. Award was 7.3 per cent in-year.
- Recommendations reduced to 4.0 per cent and staged to reduce in-year cost to 3.0 per cent.
- Recommendations reduced to 4.1 per cent and staged to reduce in-year cost to 3.1 per cent..

REVIEW BODY ON DOCTORS' AND DENTISTS' REMUNERATION MEETING
WITH BRITISH MEDICAL AND DENTAL ASSOCIATIONS 21 APRIL 1988

Thank you for coming in at such short notice. The Government's response to the review bodies' reports has only just been settled. The Prime Minister will be making a statement available to MPs at about 4.00pm, and I must emphasise the importance of not discussing this with anyone before then.

2. This year, the DDRB's recommendations represent an average increase of 7.9% on the rates they recommended in 1987. These are increases of 7.3% for general medical and dental practitioners, and increases of 8.1% for directly employed staff. The number and value of distinction awards goes up by 10 and 14% for A+ awards and by 40 and 9.2% for A Awards. The Review Body has also recommended a review of the distinction awards system.

3. The average expenses provision for general medical practitioners is calculated at £13,480, and the recommended fees and allowances include an adjustment of £61 to balance an overpayment in 1985/86.

4. Turning to juniors, the Review Body has recommended the addition of an extra point to the senior house officer scale, so that those eligible - about 2,300 (GB) - would receive a larger than average increase, of 14.5%. It has also recommended the doubling of on-call supplements for juniors with contracted hours over 104. We would of course like to see more progress in eliminating such long hours -

meanwhile, the minority of juniors still working them (around 2,000) would, as a result, receive additional payments of around £1,000, depending on the circumstances.

5. Finally, the Review Body's proposal on defence society subscriptions is that full-time HCHS doctors and part-timers wholly employed in the NHS should be directly reimbursed two-thirds of the annual cost of their subscriptions - that is, £720 for those paying full medical rates to the two main societies.

6. I am pleased to tell you that we accept these recommendations and propose to implement them in full from 1 April 1988, and from 1 January 1988 in relation to subscriptions. This means that all your members will benefit from substantial real terms increases in pay on top of those already awarded last year. We considered very carefully the consequences of our decisions, and concluded that the increased costs of the Review Body awards could be financed within overall public expenditure totals without the need for staging. It would not however have been possible for health authorities to meet the full cost of the awards without unacceptable consequences for services. We therefore decided to provide ^{the} ~~an~~ extra ^{amount required} ~~£749 million~~ ~~UK~~ for health authorities' cash limits and for the FPS from the reserve. //

7. I cannot disclose to you the details of the other review body reports, but I think it fair to tell you, in confidence, that the Nurses and PAM's Review Body has recommended an average increase of 15.3% for the groups it covers. We are also proposing to implement this award ^{with effect} from 1 April 1988.

8. You will of course want to study the report at more leisure. There are two points on which I should like to elaborate before inviting questions. First, I welcome the proposal that we should examine the distinction awards system. It has been in place for 40 years and - while I endorse the objective of rewarding outstanding and meritorious service - I think it will be timely to consider with you and NHS management how far it meets the needs of the modern service. I shall be asking officials to take this forward as quickly as possible.

9. Second, our acceptance of the recommendation on defence society subscriptions is a heavily qualified one. We do not regard direct reimbursement as being other than an interim solution and I have asked officials to seek, with you and the defence societies, a more appropriate alternative arrangement, [which might, for instance, involve the acceptance by health authorities of liability for the negligence of medical staff.]

10. A detailed offer to implement these recommendations will be put to you shortly. Meanwhile, I shall do my best to clarify any points you would like to raise now.

I shd
hope so.

← !

MEETING BETWEEN SECRETARY OF STATE AND NURSES AND MIDWIVES STAFF SIDE
CHAIRMAN 'S SECRETARYSpeaking Note

Thank you for coming here at such short notice once again. I understand that you have had a chance to look at the Reports. I can now tell you the Government's decision on the Review Body recommendations which will be announced by the Prime Minister at 4 O'clock. As usual, I must ask you not to discuss this with anyone else before then.

You will be pleased to know that the Government has decided to implement the recommendations in both Reports in full, ~~from 1 April~~. This means an ~~overall~~ ^{average} increase for nurses of 15.3% and one for the professions allied to medicine of 8.8%. This is a very substantial increase indeed and demonstrates the Government's commitment to the NHS and the professions you represent.

The largest increases, as you will have expected, go to nursing staff in the new clinical grades. Many will receive very substantial increases, well into double figures, and these new pay scales recognise and reward the increasing clinical skills and responsibility that these staff have. I very much welcome the exciting opportunities this new structure presents. I believe that this means that all nurses, midwives and health visitors will have the proper incentives to remain in clinical practice, carrying out the vital work for which they have been trained. I see this as a very important element in our attempts to ensure that the service is able to recruit and retain the nursing staff it needs now and in the future. I am sure the Staff Side will share this feeling with me and will wish to join with the Department and health authorities in tackling the major task of implementing the new structure.

As I have said, we have decided to implement the RB ~~recommendations in full in every respect.~~ ^{this means} As you will recognise, it will be important to ensure that the nurses' award and the new clinical grading structure are presented in the most positive light. But with such a wide range of pay increases this year, it will be important ~~also~~ not to raise expectations that every one will benefit to the same extent. The more modest increases, all of which are above current levels of price inflation, as well as the biggest increases need to be given the right kind of publicity and the benefits, in terms of longer-term career prospects, to those who do not receive the biggest increases this year will also need to be emphasised.

x ~~There is a much narrower~~ range of increases for the PAMs ^{is} ranging from 7.9% to 9.1% for professional staff and 7.6% to 9.5% for helpers.

The Review Body has also recommended pay supplements for both nursing staff and PAMs in London. These will mean total increases of up to £3,000 a year for staff nurses working in the capital and increases of up to £2,880 for sisters. I believe these offer very valuable additional incentives which

will do much to improve the staffing position here in London and will, of course, also be of considerable direct financial benefit to the nurses concerned. There will also be substantial supplements of up to £532 a year for PAMs.

To sum up we are honouring the Review Body's recommendations in full ~~with immediate effect from 1 April.~~ The effect of this decision is that nurses will now receive the highest ever levels of real terms pay - higher than the levels set by Halsbury or Clegg. The real terms value of nurses pay following this award is over 40% higher than it was in 1979. These figures speak for themselves.

[Funding - dependent on Ministerial decisions.]

One final point on nurses which is not covered by the Review Body recommendations but which is normally dealt with at this time: lodging charges. Lodging charges are a matter for the Negotiating Council which has an agreement to review the level of these charges each Spring. Last year there was no increase. This year the Management Side will be proposing an increase of 4% - less than the pay increase any nurse will receive.

I know you will want to study these reports in more detail but I shall do my best to clarify any points you would like to raise now.



cc- Sir P Miodetam

Mr Githoozy

A handwritten signature in black ink, appearing to be "Moir".

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

20 April 1988

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON, SW1

Dear Paul,

TSRB: PRIME MINISTER'S LETTER TO LORD PLOWDEN

... As requested, I enclose a draft letter for the Prime Minister to send to Lord Plowden tomorrow.

Yours,

Moir.

MOIRA WALLACE
Private Secretary

ENC



DRAFT LETTER FROM THE PRIME MINISTER TO LORD PLOWDEN, KCB, KBE

I am writing to thank you, and through you your colleagues on the Top Salaries Review Body, for your latest report and recommendations on top salaries. I am grateful once again for the time and effort that you all put into the work.

As you know, we decided to accept your recommendations, and to implement them as to 4 per cent from 1 April 1988 and as to the balance from 1 October 1988. This decision to stage the implementation embodied the Government's view that it would be important to reflect on this occasion offers made to civil servants in the grades below those covered by the Top Salaries Review Body. Those grades have generally been offered 4 per cent with effect from 1 April 1988; later in the year there will be certain further increases for some groups, associated with the introduction of new pay and salary arrangements. So the pattern of staging which we have set for your recommendations broadly reflects what is happening lower down.

May I end by repeating my thanks for the work you have done and by expressing my gratitude that you have agreed to continue as Chairman to steer the Review Body through next year's review.



FROM: MISS M P WALLACE
DATE: 21 April 1988

~~Handwritten scribble~~

~~ALSA:~~ *pyz*

PS/CHIEF SECRETARY

~~can't~~ to note
Jim says CST not minded
to write; ~~is~~ not sure we
have a brilliant
case (to put
it
mildly)

NURSES PAY: GOVERNMENT EVIDENCE ON BACK-DATING

The Chancellor has seen Miss Peirson's minute of 20 April. He has commented that this is very bad. From his conversation with Sir James Cleminson, he does not believe that we would have done no better, if DHSS had not blundered in this way.

Mpw

MOIRA WALLACE



mp

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

CH/EXCHEQUER	
REC.	22 APR 1988 ✓ 22/4
ACTION	MR GILHOOLY
COPIES TO	CST PMG SIR P. MIDDLETON MR ANSON DAME A. MUELLER MR KELLY MR ROBSON

21 April 1988

FOR INFO

Dear Sir Peter,

Thank you for your letters of 31 March and for the 1988 Report of the Review Body on Armed Forces Pay.

As you know, I announced today the Government's full acceptance of the recommendations, which will be implemented from 1 April 1988.

I am grateful to you and to your colleagues for the time and effort which you have put into this important work. I should be glad if you would pass on my thanks to the other members of the Review Body.

*Yours sincerely
Margaret Thatcher*

Sir Peter Matthews, A.O.

NOT FOR BACKBENCHERS

REVIEW BODY AWARDS: 1988

cc PS/CST, PS/PMG,

PS/Sir Middleton,

Dame A Mueller, Mr Kelly,

Miss Peirson

Thanks, pmw

DECISIONS

Final version of backbenchers' brief, as approved by Chancellor, and given to Mr Call. mpm 21/4.

This year's Review Body recommendations, with the exception of the Top Salaries Review Body, are being implemented in full from 1 April. This means increases averaging 15.3 per cent for nurses, 7.9 per cent for doctors and dentists, and 6.5 per cent for the Armed Forces. The TSRB groups will receive 4 per cent from 1 April and the balance of 1.4 per cent, from 1 October. These increases are taking place against the background of 3.5 per cent inflation and an increase in the Tax and Prices Index of only 1.5 per cent. Pay increases on this scale in real terms can be afforded alongside further service improvements and within existing overall public expenditure plans only because of the continued underlying strength of the economy.

FINANCING AND PUBLIC EXPENDITURE

The costs of the awards will be financed within existing planned overall public expenditure levels. TSRB costs will be found within existing running cost limits; the Armed Forces award from within the existing Defence cash limit; £749 million of the NHS groups' award will be paid for out of the £3½ billion Reserve for 1987-89. All that the Health Authorities will have to pay is the amount already there in their budgets. The Government is meeting the whole excess cost for the NHS. This means increase in NHS spending in 1988-89 over 1987-88 now £1850 million.

NURSES

- Average increase of 15.3 per cent.
- Large part arises from new grading structure. Biggest change since 1948. Establishes worthwhile career progression for nurses who wish to remain in clinical work. Plays vital part in overcoming skill shortages. In line with Review Board recommendation, new rates will come fully into force when new structure implemented, backdated to 1 April.

- Nurses pay highest ever in real terms. Higher than Halsbury (1974); higher than Clegg (1979)
- 43.8% real terms increase since 1979
- 28.7% real terms increase since 1983.
- This Government set up independent Review Body (1983) has implemented all their awards, and met over 90% of their cost.
- Have increased number of nurses and midwives by 62,800 since mid-1978.
- starting pay for a staff nurse in Inner London now to be £9677; and for a sister £12,048. In each case more than the previous maximum basic pay.
- Also Government has reduced nurses working week by 2½ hours.

Labour's record:-

- in 1976-77 cut nurses pay by over 10% in real terms.
- cut nurses pay in real terms in four out of the five years 1974-75 to 1978-79.
- nurses pay fell by 21% in real terms in the five years to 1979.

DOCTORS AND DENTISTS


Under this Government doctors and dentists have received real pay increases averaging 38 per cent, compared with a fall under Labour of nearly 30 per cent.

ARMED FORCES

The Government has honoured its Manifesto commitment to maintain armed forces salary levels that are comparable with those of their Civilian counterparts. Military salaries are now on average [14½] per cent higher in real terms than under Labour. During most of Labour's period of office real salaries for the military fell sharply with ensuing recruitment, retention and morale problems.

TOP SALARIES

Increases staged to bring more closely into line with offer to rest of the Civil Service: 4% from 1 April, balance from 1 October. Since last October Grades 2 and 3 of senior Civil Service eligible for additional increments, awarded to reward sustained high performance. This is part of wider measures to introduce more flexibility into the Civil Service pay system and strengthen the link between pay and performance.

Copy of PM's Written Answer is attached. 

Tuesday 9th February 1988

(Answered by the Prime Minister on Thursday 21st April)

UNSTARRED Mr Edward Leigh: To ask the Prime Minister
No. if she will make a statement on the latest
report by the Review Body on Doctors' and
Dentists' Remuneration.

THE PRIME MINISTER [Pursuant to her reply of 9th February
1988, col 135]:

I am now in a position to make a statement on the latest Reports of the Pay Review Bodies. The 1988 reports of the Review Bodies on the pay of Nursing Staff, Midwives and Health Visitors, and Professions Allied to Medicine, the Doctors and Dentists, and the Armed Forces, and of the Top Salaries Review Body, have been published today. Copies are now available in the Vote Office. The Government are grateful to members of the review bodies for these reports and the time and care which they have put into their preparation.

The following table shows the increases in pay rates recommended by the review bodies, and their cost:

Review Body Reports	Average increase per cent	Range of increase per cent	Cost (1) £ million
Nurses, midwives and health visitors	15.3	4.2-33.6 (2)	803
Professions allied to medicine	8.8	7.6-9.5	45

Doctors and dentists	7.9	7.3-8.1 (3)	318
Armed Forces	6.4	2.5-7.3	232
Top Salaries			
Senior civil servants and senior officers of the armed forces	5.4	5.2-5.5)	5.5
Judiciary	7.4	5.3-11.9(4))	

(1) UK public expenditure cost including employers' national insurance and superannuation contributions, where appropriate. Figures include cost of additional payments to staff working in the London area, where appropriate. The figure for doctors and dentists includes payments for GPs' expenses and hospital doctors' insurance, not counted as pay.

(2) The recommendations include implementation of a new clinical grading structure. Most increases fall within the range shown. Increases could be up to 60 per cent for some nurses. No nurses will receive less than 4 per cent.

(3) About 95 per cent of staff fall within this range. The remainder get higher increases up to 14.5 per cent and in a few cases possibly more.

(4) Most increases fall within the range shown, although in six cases the increase will be 23.7 per cent. The upper end of the range reflects structural changes for certain groups.

The increases recommended for nursing staff, midwives and health visitors include implementation in the Autumn of a radical new grading structure to provide more attractive career prospects and proper recognition of qualifications, skills and responsibilities for staff directly involved in patient care. The Review Body's recommendations are on the basis that there should be an immediate interim payment of 4 per cent from 1 April 1988 and that once the new structure has been introduced, consequential pay increases would be backdated to 1 April 1988.

The Government have decided to accept in full the Review Body's recommendations on nursing staff, midwives and health visitors. They have also decided that the increases recommended by the Review Bodies on the pay of Professions Allied to Medicine, Doctors and Dentists and the Armed Forces should be paid in full from 1 April 1988. The recommendations of the Top Salaries Review Body will be implemented as to 4 per cent from 1 April 1988, with the balance from 1 October 1988.

The full cost of the awards for the Armed Forces Pay Review Body and Top Salaries Review Body groups will be met from within existing public expenditure programme totals for this year. In the case of the health service groups the Government have decided that the cost in excess of the allocation already made for this year should be met from the Reserve. They will provide an extra £749m from the

Reserve within the planned total of public expenditure for this year, of which £683m will be added to health authority cash limits. The remaining £66m is for the Family Practitioner Services. Together with the increases in allocation already announced, the increase in provision for the National Health Service in 1988-89 over 1987-88 will therefore be £1,852 million.

The pay rates and scales resulting from the decisions will be promulgated as soon as possible for all the groups concerned. Pensions will be based on the salaries actually in payment in accordance with the principle set out in my written answer of 13 April 1984, at column 383.