

PO-CH/NL/0239

PAR-A

Part. A.

CONFIDENTIAL

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PAY - IN - CONFIDENCE

Begins: 29/5/87.

Ends: 16/2/88.



PO -CH /NL/0239



PART A

Chancellor's (Lawson) Papers:

THE 1987 CIVIL SERVICE
PAY DISPUTE

Disposal Directions: 25 Years

22/9/95.

PO -CH /NL/0239

PART A

PAY IN CONFIDENCE

FROM: F EASTON
DATE: 29 May 1987

MINISTER OF STATE

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Chivers
Mr Gilhooly
Mr Harvey
Mr Woodall

1987 PAY CLAIM FOR INDUSTRIAL CIVIL SERVANTS

1. You will wish to know that we are due to make an offer on industrial pay to the Joint Coordinating Committee for Government Industrial Establishments on 8 June. Unfortunately this date was agreed some six months ago and it would be extremely difficult to move it. Nor would we wish to appear to be delaying lest it be seen as weakness or as a hint that we thought the position might be different after the election. We also have to be very careful this year about avoiding repercussions on non-industrial civil service pay.

2. The Unions know from what has been done in previous years that the most that is likely to be offered is what the non-industrials get; probably the more experienced and senior union figures will already be thinking about 4.6%. At the same time it is unlikely that they expect or will accept a lower settlement than the non-industrials. Almost certainly they would set themselves against a lower offer with some resolution - they are, of course, employed in some sensitive defence areas and there has been some evidence this year at both Aldermaston and Faslane that they are prepared to use industrial action if necessary to achieve their objectives.

3. It would be unrealistic to suppose that the industrial unions will accept or even respond until a settlement with the non-industrials (CPSA and SCPS) is reached. A quick settlement at 4.6% is therefore unlikely; but not to make an offer at all on the date when the unions are expecting one could be taken amiss and cause unnecessary trouble.

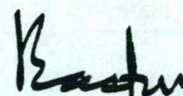
4. On the strength of informal exchanges to date it seems probable that the Unions' representatives will be prepared to put to their members an offer which principally addresses basic pay - ie dropping their interest in leave, hours etc. However what is doubtful is whether they can be persuaded to go so far as to recommend it. The acceptability of an offer of this kind will naturally depend on its size.

5. It would be our intention to offer a 4% increase on basic pay with the total package being worth 4.6%. An offer at this figure - which is wholly consistent with the offer to the non-industrial civil service - would attract little outside interest or attention and there should not be any repercussions elsewhere. BNFL are negotiating around 4½% and UKAEA are likely to take their lead from BNFL.

6. The cost on the pay bill would be about £32m; it would fall mainly on the MOD and PSA who employ respectively 57,000 and 11,000 of the 80,000 industrial staff covered in these negotiations and, like the non-industrial settlement, be financed within running cost limits.

7. In summary your agreement is sought to opening formal discussions with the Trade Union Side based on a 4.6% package. The Ministry of Defence have been consulted informally and have no objection.

8. If you agree we shall proceed to make an offer of 4.6% on 8 June.



F EASTON
PAY 2

PAY IN CONFIDENCE



FROM: APS/Minister of State

DATE: 2 June 1987

MR F EASTON

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Chivers
Mr Gilhooly
Mr Harvey
Mr Woodall

1987 PAY CLAIM FOR INDUSTRIAL CIVIL SERVANTS

The Minister of State has seen and was grateful for your minute of 29 May.

The Minister would welcome a little further background information to the proposition. In particular, he would like to know what makes up the 0.6 per cent which transforms 4 per cent into 4.6 per cent.

Deborah Francis.

MISS D L FRANCIS
Assistant Private Secretary

PAY IN CONFIDENCE

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FROM: F EASTON

DATE: 2 June 1987

MINISTER OF STATE

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Midedleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Chivers
Mr Gilhooly
Mr Woodall
Mr Harvey

1987 PAY CLAIM FOR INDUSTRIAL CIVIL SERVANTS

1. Your minute of 2 June refers. You sought further background information in this matter.

2. The industrial Trade Unions submitted a pay claim which asked for:

a substantial increase on the basic rates (with a minimum of £100 pw);

an increase in certain allowances;

a further measure of consolidation of bonus;

a decrease in the working week from 39 hours to 35 with alignment with the non-industrials as a first step;

improvement in overtime rates, holiday allowances and pay.

3. In preliminary discussions the Trade Union side has already been told that there is unlikely to be any movement on hours worked, holiday pay, overtime rates, paternity leave and most aspects of annual leave conditions. The package to which your agreement is now being sought reflects this position. It comprises:

PAY IN CONFIDENCE

- an increase in basic pay of £4.25 pw together with a further consolidation of bonus payments: together with "feed-through" ie the effect on the cost of overtime, bonuses, shift payments consequent on increasing basic rate this is worth

4%

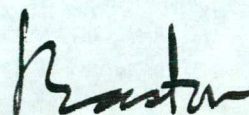
- increases in environmental allowances, craft allowances and supervisory allowances
- some of which are management initiatives
- worth

0.5%

- finally a small concession in the annual leave qualifying conditions - worth

0.1%

The total package is then worth 4.6%. The increase in the basic rate together with consolidation and a small element of restructuring still leaves the offer £1.18 pw short of the claim for £100 pw minimum.



F EASTON

PAY IN CONFIDENCE

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FROM: S P Judge
DATE: 4 June 1987

MR EASTON

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr Luce
Mr Chivers
Mr Gilhooly
Mr Woodall
Mr Harvey

1987 PAY CLAIM FOR INDUSTRIAL CIVIL SERVANTS

The Minister of State was grateful for the further information in your submission of 2 June, and is content for you to make the proposed offer of 4.6 per cent on 8 June.

The Minister has also seen the Chief Secretary's correspondence with Mr Goodlad at DEn, about UKAEA industrial pay, and notes that the proposals for this group are consistent with your proposals.

A handwritten signature in dark ink, appearing to be "S P J", with a flourish at the end.

S P JUDGE
Private Secretary

RP

FROM: F EASTON

DATE: 8 June 1987

MINISTER OF STATE

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Kemp
Mr T Luce
Mr Chivers
Mr Gilhooly
Mr Woodall
Mr Harvey

1987 PAY CLAIM FOR INDUSTRIAL CIVIL SERVANTS

Further to the submission of 27 May an offer was today made to the Industrial Trade Unions totalling 4.6% of the industrials pay bill. No offer was made on London Weighting on which there will be separate negotiations. Details of the offer are attached.

2. The shape of the package was agreed informally at a meeting on 4 June when the Unions undertook to put the offer, once made officially, to their members.

3. The next meeting with the Unions will be on 1 July.



F EASTON

JCC PAY REVIEW: 1987**1. Basic Pay**

- (a) £5 on the craft rate
£4.35 on the non craft rate

this gives the lowest paid non-craft industrial £97.92p pw plus
£7 consolidated bonus craftsmen will receive £122.77 pw plus
£7 consolidated bonus.

- (b) pro rata increases in the basic rates for juveniles and
apprentices

2. Allowances

- (a) craft allowances increased
- (b) supervisory and instructional allowances increased
- (c) environmental allowances increased.

3. Conditions, hours, leave etc no changes.



NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Pat Kelly Esq
Society of Civil and Public Servants
26/27 Royal Terrace
EDINBURGH
EH7 5AB

2 July 1987

Dear Mr Kelly

The Secretary of State has asked me to thank you for your letter of 19 June about civil service pay.

Mr Rifkind is naturally concerned to see a speedy resolution of the current dispute and is encouraged by the decision of the Society of Civil and Public Servants to suspend industrial action thereby allowing further talks with the Treasury to take place.

You also expressed concern about the possible effects of regional variations in pay rates on your members in Scotland. Mr Rifkind does not believe it is possible to predict precisely what might happen in Scotland should there be any movement towards regional pay variations either in the civil service or more widely. He very much hopes however that all civil service unions will enter into constructive discussion with the Treasury on a more stable pay determination system which could take account, among other things, of pay rates and pay increases for groups outside the civil service.

I am copying your letter and this reply to the Private Secretary to the Chancellor of the Exchequer.

CH/EXCHEQUER ✓/7.	
REC.	06 JUL 1987
ACTION	CST, PMG SIR P MIDDLETON
COPIES TO	MR FER BUTLER MR KEMP MR GILHODLY MR CHIVERS MR TRUMAN MR WOODALL

Yours sincerely
Robert Gordon

Robert Gordon
Private Secretary

AF CS *Bryon*
copy: *Ps (0857)*

Rt. Hon. Malcolm Rifkind, M.P.,
Secretary of State for Scotland,
Scottish Office,
New St. Andrew's House,
James Craig Walk,
Edinburgh,
SCOTLAND.

Dear Mr. Rifkind,

CIVIL SERVICE PAY DISPUTE

As you are aware, the Unions representing the vast majority of the administration grades in the Civil Service have been engaged in industrial action for ten weeks. The essential elements of our claim are for an increase of 15% or £20 per week, whichever is the greater, and an acceptable long term pay agreement. The offer which we have received from the Treasury is 4.25%. This we feel is totally inadequate considering that Civil Servants have fallen behind their counterparts in the private sector by 20-30% since 1980. We have also seen cuts in staff levels in excess of 100,000 posts over the same period. These cuts have been particularly acute in areas such as DHSS and the Department of Employment because of increased workloads due to the rise in unemployment.

In addition, over the past three months we have seen other public sector workers conclude agreements for over 7%. The unfairness of the treatment of Civil Servants is clear for all to see and in recent negotiations with Treasury Officials it was felt that there was a possibility of a settlement to the dispute. However, the Chancellor of the Exchequer declined to sanction any improvement in the existing 4.25% offer. As a result, the Society of Civil and Public Servants and the CPSA had no alternative but to continue the campaign of industrial action.

The only other prospect of an additional increase was the acceptance of an agreement on flexible pay, which would involve the concept of regional pay. As Secretary of State for Scotland you must recognise that the introduction of regional pay would have a detrimental effect on Scottish Civil Servants in comparison with their colleagues in the South East of England. Pay would be based on market forces, i.e. the level of unemployment in a particular region, and you will be fully aware of that level here in Scotland.

CPSA

THE CIVIL & PUBLIC SERVICES
ASSOCIATION

100 Bedford Way
London, W1P 8BQ
01-928 9671

SCPS

THE SOCIETY OF CIVIL &
PUBLIC SERVANTS

124/130 Southwark Street,
London SE1 0TU
01-928 9671

We would, therefore, ask you to express to the Cabinet and to the Chancellor of the Exchequer the concern of Scottish Civil Servants. All we seek is a just and honourable solution to the problems of low pay in the Civil Service and we would hope that you will convey this message to your colleagues.

Yours sincerely,

P. I. Kelly

PAT KELLY,
SCOTTISH OFFICER (SCPS)

19th June, 1987.

1764
25.

CONFIDENTIAL

FROM: E P KEMP
DATE: 7 July 1987

PAYMASTER GENERAL

cc Chancellor of the Exchequer
Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Luce
Mr Culpin
Mr Chivers
Mr Gilhooly
Mr Graham
Mr Pettifer
Mr Woodall
Mr Cropper

CIVIL SERVICE PAY DISPUTE - DEVELOPMENTS

As you know, two weeks ago the two unions in dispute - the Society and the CPSA - split asunder, with the CPSA going for a ballot for all-out action and the Society suspending action pending further discussions with the Treasury. The CPSA continue on their way, and we will hear the results of their ballot around the middle of next week.

2. The Society's leadership is in a very difficult situation, because having led their members to strike on the basis of a ballot they now feel they cannot actually call it off without another ballot. At their Executive meeting tomorrow they are likely to decide that they will have to go to ballot their members again within the next week or so.

3. The question they are likely to put is something on the lines "Will you allow your Executive to continue to negotiate with the Treasury or do you want to go for strike action in some form". The Executive will have to decide what recommendation to give to their members on this question (the Society believe always in giving a recommendation when going for a ballot) and all the precedents show that their members are

very likely indeed to follow the Executive's recommendation. So what that recommendation is is crucial. Although it might not be the end of the world if the Society did get a ballot for further action, it would undoubtedly be extremely irritating and potentially costly, even if it collapsed quickly (which it might not, if handled "teachers fashion"), and it would look like our snatching defeat from the jaws of victory; and seriously, it could give aid and comfort to the CPSA and might even swing what could have been a vote against further industrial action into a vote for such action.

4. The Society bosses are as anxious as we are that they should be able to persuade their Executive to recommend against further strike action. But they are in a difficult position, with a lot of factors, including pressure from members, appeals to union solidarity and (we think) a great deal of active lobbying by Militant, tending in the other direction. Last week they were very anxious that they should have some "money on the table" now, but this of course we could not offer - apart from not being worthwhile (or at least not yet shown to be worthwhile) it would have looked as though the suspension of two weeks ago had been a put up job on the basis of some kind of nudge and wink, which it most emphatically was not. Alternatively, and as a very bad (from their point of view) second best the Society has asked for a letter from us confirming that discussions have been going forward and undertaking to carry them on with some urgency and against some kind of timetable. Ministers agreed this broad way forward, and at a meeting I had with senior Establishment Officers yesterday they too indicated they were content, at least against the background of the alternatives. A copy of the letter I have sent to the Society is below. As ever, this is "warmer" than one might wish, but we can live with it, and our judgment was that nothing less would even have had a chance of doing the trick. If it works, then we shall negotiate in good faith, and there is more than enough caution in the letter to allow a break off in good faith if the talks should go wrong. And if it does not work, all bets are off anyway.

5. IDT may well get questions (although so far the Press have been very silent in this, the Society unlike the CPSA being rather good at keeping

their own counsel). The general line we should take is that when the action was suspended two weeks ago it was on the basis that "commonsense had broken out" and negotiations on outstanding matters could resume; there have been two weeks of intensive talks and we have now mapped out the path to carry these talks forward in a more structured way; the essence of the talks is to consider whether the Society's claim that they are prepared to swallow their pride (and a Conference resolution of about 2 months back) and talk constructively about the introduction and use of new technology, new management techniques, and so on and so forth is valid and can be delivered, and if so what if any pay adjustments would be appropriate. No promises have been made either way, beyond an undertaking to negotiate in good faith, and a recognition of the position of the Society and it is perfectly possible that at the end of the day no deal will be done. If there is a deal, it is far too early to say what it is, nor what it might be worth, nor when the changes might be implemented, nor when any pay adjustments might be effected. It is, in short, a sensible return to normal on-going relationships between management and union.

6. Specifically on defensive matters IDT should note the following points :-

Have there been any nudges or winks or promises of more money?
Secret deal when they called off action?

Emphatically no. No reopening of 18 March final offer. No certainty that new talks will deliver value for money which would justify pay adjustments. But have recognised Society position that they think more is justified.

Isn't it rather odd that you are suddenly prepared to talk to the Society in this way and on the basis of the friendly letter the Treasury have sent?

This is just a return to normal business. The letter is fairly friendly, but we have written other similar letters eg to the IRSF and otherwise.

Is this not intended to affect the position of the Society members and/or Executive?

Clearly we want all concerned to understand that the sensible way forward is civilised negotiation and not industrial action.

Have you abandoned merit pay/regional pay/flexibilities?

Emphatically not. We have said that we would not try to impose an IPCS-type "deal" on any unwilling union (it would not be practicable any way) but that package as a whole remains on the table. Meanwhile of course the Government reserve the right to seek to proceed with the separate elements in an IPCS-type deal, as may be convenient and practicable. Overall we are still looking for further and better flexibilities.

Upstaging the unions who were not in dispute (IRSF, CSU, etc)?

Not so. Puts them all more or less in the same position - discussions in good faith on matters affecting their members without commitment on either side.

Surprising the Society are prepared to talk about new technology/FMI etc?

Must ask the Society for their reasons. But glad that they are.

You were getting on fine with new technology, FMI, etc without any particular deal with the Society?

Up to a point. Certainly we are moving ahead. But clearly very much better and more effective if the staff and their representatives are co-operating.

What happens if Society after all go for a strike ballot or even a strike.

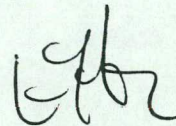
Obviously all bets are off. We do not negotiate with people taking action against us (vide the CPSA).

Check-off?

Paymaster General received representations from the CCSU last week. Still considering those representations.

7. If things go well (ie there is a recommendation against further action) IDT may be asked what the Society has gained from the dispute. A fair response would be "financial loss to the unions and their members; not a penny more on pay; and abandonment of cherished position on new technology". But for the time being, it would be best to avoid any crowing, and simply respond "You must ask them". If things go badly, then you have to say that all the Society are doing is piling loss on loss.

8. These notes may need to be modified and updated in the light of what the Society actually decide tomorrow. We will arrange for a quick version to be with IDT as early as possible. But in a sense the stories in Thursday's press are simple; if things go all right, then the Treasury has successfully maintained and widened the split with the CPSA; if this goes badly it is all very said and the proposals are withdrawn.



E P KEMP



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-270 3000

Direct Dialling 01-270 4400

E P Kemp
Deputy Secretary

Leslie Christie Esq
General Secretary
Society of Civil and Public Servants
124/130 Southwark Street
LONDON
SE1 0TU

7 July 1987

DS Christie

After you suspended industrial action on 23 June, we agreed to begin urgent discussions on the broad range of outstanding issues between us. I made it clear that these talks would not be confined to any pre-set agenda imposed by either side.

The purpose of these talks would be to establish whether there was an area or areas where progress could be made with the aim of reaching agreement which on the one hand would deliver improvements in the pay of your members, and on the other would result in developments which would be welcome to the official side.

Since then, we have had several meetings, which we have both approached in a constructive way and conscious of the great desirability of making rapid progress. And indeed much progress has already been made.


We repeated our willingness to consider constructively with you long-term developments in the pay structure and pay determination system, as it might affect your grades, on a basis which could be mutually advantageous and mutually acceptable. You are aware that we are discussing or proposing to discuss such developments with other Civil Service unions. We made clear that these arrangements could give people higher pay on account of their skills or responsibilities, their performance or the fact that they work in areas of special difficulty. (You are of course aware of the new performance points at Grades 4 to 7). They could also provide for more settled pay negotiations in the future, which could take into account among other things the pay rates and pay increases of groups outside the Civil Service. But it is not our intention to pursue this package without your agreement.

On the question of the present interface between AO and EO pay and the consequentials for HEO and SEO our position remains that your claim has been met in a reasonable way in the final offer set out in my letter of 18 March, which in addition to the 4 $\frac{1}{4}$ % increase from 1 April, also offered improvements in the pay of the grades you represent from 1 September and made sense in relation to the purpose for which it was designed, namely to establish sensible relationships between your grades and other grades in the pay structure as it stands at the moment.

However we recognise your argument that recognition needs to be given in terms of adjustments in pay to the changing nature of managerial tasks carried out by Society grades, and the need to maintain impetus towards modernisation of the service through the use of information technology and the consolidation and improvement of new financial management systems. In response to this we are very ready to consider further with you whether the current grading guidance applicable to the members you represent is satisfactory, and whether there are any modifications that might be made to it to reflect these changes (for instance in technology or work practices). Leading on from this we will explore with you the possibilities for reaching a concordat on these developments including, for example, the use of new technology and the evolution of the financial management initiative.

As I have said, we are committed to pursuing discussions with you as a matter of urgency, and in terms of identifying the areas which are important. We have already made considerable progress. I am sure that we shall be able to reach a mutually-acceptable conclusion, including appropriate pay adjustments, given the commitment to taking these talks forward which exists on both sides. But it is in the nature of negotiations in this and other areas that although we have already made much progress in a very short time, more remains to be done if we are to reach a satisfactory conclusion. I assure you that we share your objective of concluding our discussions as quickly as possible and with this in mind we have agreed to the setting up of a working party at a senior level with the aim of reaching conclusions during September this year.

We would expect any changes arising from the work described above to be extended to non-Departmental public bodies on the normal basis.


E P KEMP

CONFIDENTIAL

PAYMASTER GENERAL

FROM: J F GILHOOLY

DATE: 8 July 1987

cc. Chancellor of the Exchequer
Chief Secretary
Sir P Middleton
Mr F E R Butler
Mr Kemp
Mr Anson
Mr Luce
Mr Culpin
Mr Chivers
Mr Graham
Mr Pettifer
Mr Woodall
Mr Cropper

CIVIL SERVICE PAY DISPUTE - DEVELOPMENTS

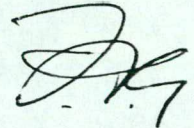
1. This is to report that the SCPS Executive has decided to continue to suspend industrial action at least until September.
2. Mr Kemp's minute of yesterday reported the upshot of our discussions with the Society, and that their Executive was meeting today to consider whether or not to resume industrial action in the light of his "warm" letter to them. That letter offered no money, but the exploration of new areas which might lead to money - the talks to be completed in September (but with no commitment that they will lead to more money, let alone early money.)
3. We have now heard from the Society that the letter has achieved what we hoped it would. They have decided
 - to accept the offer of talks set out in Mr Kemp's letter of yesterday;
 - to extend the suspension of industrial action until the upshot of the talks is known;
 - to do this on their own authority as the Executive, without holding an immediate ballot of their members, but to ballot them on the outcome of the talks. (Meanwhile, they seem to be planning to fight off their Broad Left - Militant Tendency and co. - at branch meetings).
4. Tactically this is as good an outcome as we could have hoped for. It means there should be no official action by the Society until at the earliest - and at worst - the autumn. The split between the Society and the CPSA remains,

CONFIDENTIAL

indeed has become deeper. The CPSA, meanwhile, are already out at ballot for all-out strike action, with the results to be announced towards the end of next week. The Society's decision today increases the chances (although it does not of course guarantee) that the CPSA ballot will turn down all-out action. Even if the CPSA votes "yes" it must be very doubtful that they could sustain strike action for long; or soldier on through to the autumn in the hope that the Society's talks with us break down, and they could link up again.

5. This is too late for tomorrow morning's papers, and the Press will probably not get hold of the story until tomorrow. It may come out in the evening on radio or TV, and will certainly appear in the papers on Friday morning. Mr Kemp's submission of yesterday included briefing for IDT; we will check it over when we receive the formal letter from the Society (probably tomorrow morning) informing us of the Executive's decision.

6. This note would I hope serve as briefing for Cabinet tomorrow for the Chancellor.



J F GILHOOLY

CONFIDENTIAL



FROM: S P JUDGE
DATE: 9 July 1987

PAYMASTER GENERAL

MR KEMP

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr F E R Butler
Mr Anson
Mr Luce
Mr Culpin
Mr Chivers
Mr Gilhooly
Mr Graham
Mr Pettifer
Mr Woodall
Mr Cropper

CIVIL SERVICE PAY DISPUTE - DEVELOPMENTS

The Paymaster General has seen your submission of 7 July, and Mr Gilhooly's further minute of yesterday.

The Paymaster congratulates you and your team on the outcome of a very nice judgement.

He agrees that IDT should not actively sell this story, although obviously they must respond to queries from the Press.

A handwritten signature, likely of S P Judge, consisting of stylized initials and a surname.

S P JUDGE
Private Secretary

3/8/87^{cc}
Ryp

Chief Secretary
Paymaster General
Sir P Middleton
Mr F E R Butler
Mr Anson
Mr Kemp
Mr Luce
Mr Scholar
Mr Gilhooly
Mr Chivers
Mr Culpin
Mr Truman
Mrs M H Harrop
Mr Bell
Mr Graham
Mr Cropper

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

PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Earlier this year we discussed in MISC 66 the problems of Civil Service recruitment and retention in the South East and in other high cost areas, and the related desirability of getting more geographical variation into Civil Service pay. Further work has now been done by officials, and the attached note by the Treasury summarises the scheme now proposed: a system of selective and discretionary additions to pay in areas where recruitment or retention is particularly difficult.

This seems to me the right way forward. A selective and discretionary scheme will provide the flexibility needed to tackle the most pressing problems, without the deadweight associated with measures such as an across-the-board increase in London Weighting. The new scheme will cost some money, which Departments will have to fund from their running costs. But I hope that very little if any cost will fall in this financial year, and I want to devise an approach which gives Departments a choice about how much they should spend.

This scheme will be an important step in helping to tilt the pay system over time in the direction of those areas - geography, merit and skill - where more money is needed. The unions are unlikely to welcome it, but in the aftermath of the strike, and handled properly, I do not foresee major problems. In any case, doing nothing is not an option, if only because of the need to conclude this year's negotiations over London Weighting.



I propose, therefore, that my officials should now take steps to get the scheme introduced, in association with Departments and with the Civil Service unions. I should emphasise that it is something of an experiment, and how it will work remains to be seen. But I am sure it is a path we should go down.

I am copying this minute to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

Y.N.

N.L.

3 August 1987

**GEOGRAPHICAL VARIATIONS IN THE PAY OF THE
NON INDUSTRIAL CIVIL SERVICE**

Note by HM Treasury

1. A Treasury-chaired Working Party was set up in November for two main reasons: the increasing concern of Ministers about the effect of national pay rates on the economy as a whole; and the practical problems of recruiting and retaining civil servants of adequate calibre in some parts of the country. The Working Party focussed on the managerial aspects and reported in February.
2. The evidence collected by the Working Party confirmed the geographical imbalance. Most vacancies can be filled, but in some places only with staff who are of a barely acceptable calibre, and after considerable time and effort. The same places tend to have relatively high resignation rates. There is no doubt that very high rates of turnover, and inexperienced and low calibre staff, lead to costs and inefficiencies. On the other hand there are areas where there are few resignations and embarrassingly large numbers of well-qualified applicants for the vacancies which do arise.
3. The problem areas are mainly in London and parts of the South East of England, but there are localised pockets elsewhere. Some towns in the South East, such as Reading, face difficulties as severe as in the worst parts of London; but other parts of the South East have fewer problems than in pockets elsewhere in the country. Even within one area, there are variations between departments and, indeed, between particular offices. However, the problem in London and parts of the South East is a consistent theme. The reasons are a complex mix, and pay is certainly not the whole story; but the Working Party agreed that the evidence on recruitment and retention was strong enough to justify paying relatively more in the problem areas.
4. Two new types of payment were recommended: the South East Supplement, and Local Pay Additions. The former would be payable

in a new zone, very roughly a few miles beyond the M25 but with extensions along the M3 and M4; and the latter in the rest of the country. Both would be additions to existing salaries and, where appropriate, to London Weighting, and would mainly apply to relatively junior staff, in particular the clerical and secretarial grades and Executive Officers.

5. Because of the very localised nature of some of the problems, individual departments would be able to decide how much to pay in different places, subject to Treasury approval, and according to common criteria. This approach also helps to contain the cost, which must be found from existing running costs limits. The suggested maximum for the South East Supplement is £500 pa, with the average payment in the zone not normally exceeding £200; in the rest of the country the maximum would be £400. Proposals to make either type of payment would have to be justified on recruitment and retention grounds.

6. However, this discretionary approach carries the risk of industrial trouble as staff are not used to the idea that people of the same grade and seniority will not necessarily receive exactly the same pay, even if they work in the same town. Careful handling would be needed, and departments would have to keep in close touch at local level. At present there appears to be surprisingly little contact between departments at local level, and it would therefore be necessary to set up a network of "lead departments" who would liaise with other departments with local offices about proposals to pay a South East Supplement or Local Pay Addition. Cases of disagreement would be referred to the Treasury. In time, the "lead departments" might take on a wider role, certainly in improving communication between departments at local level and possibly in arranging joint action eg on recruitment exercises.

7. Since the Working Party reported there has been further work by officials. This included a "dry run" of how the scheme would work across the UK for six departments; and, for more departments, in four places - Greenwich, Cambridge, Guildford and Glasgow. A number of Ministers also wrote with comments. The upshot of this work is that there is general agreement that the proposed scheme

is feasible, but three major points emerged: the question of how much money should be available; the industrial relations dimension; and the bureaucracy involved. Each is discussed below.

Level of Payment

8. Some departments have argued that £500 is not enough to tackle their problems of recruitment and retention in parts of the South East as competing employers are paying at least £1000 more than current civil service rates. If the payments had no effect on easing the problem, the money would be wasted. On the other hand, there should be a psychological effect from giving something, and £500 is a significant addition to the salary of an AO. There is also the question of whether departments could afford more out of their running costs. The scheme would be experimental and the results closely monitored; Ministers could, if they so wished, decide to increase the maximum payments during the two years for which the scheme would run, in the light of experience.

9. The £200 average limit in the South East also causes problems for some departments. In particular, those with only a headquarters office in central London have argued that they would effectively be limited to £200 a head, as it would be difficult to treat staff in the same office on a different basis. Yet a department with an office next door, but also offices scattered around the South East, might well pay an extra £500 a head in central London, while keeping within the £200 average. The Department of Employment have raised a slightly different point. They, like many departments, want to focus on AOs - but they have a very high proportion of their staff at this level. So their room for manoeuvre is more limited than departments with a more even spread of grades.

10. The Treasury's view is that both figures should continue, but that there might be some slight flexibility on the £200 to deal with exceptional circumstances. Any such case would, however, have to be approved specifically by the Treasury. There would be no flexibility on the £500 (except for the secretarial group in Inner London, who already receive £400 as a SPA and would be entitled to up to £200 extra). However, there could be an interim review

of some aspects of the scheme, including the amounts, before the full review after two years. The cost of increasing the amounts now would put too much of a strain on running costs; some departments are already worried about this with the amounts now proposed. There is no question of providing "new money" for these payments.

Industrial Relations

11. The dry runs underlined the need for departments to work together at local level. Different departments did, as expected, plan to use the scheme in different ways, and this would lead to variations in the amounts paid to people of the same grade and seniority in the same town, but in different departments. Trade unions would obviously try to pick off one department against another at local level; and then one locality against another at departmental level. Their success in this would depend partly on the management approach - and also on the attitudes of the unions at national level.

12. Most departments thought that some variations at local level would be tolerable; local office staff in the Inland Revenue and DHSS already have a pay lead, which is generally accepted. But close liaison between departments would be extremely important, in particular in cases where there were several Government offices on one site. Where two departments jointly ran one establishment (as opposed to having different offices on the same site) the same payments would probably have to be made by each, but this should be looked at on a case by case basis.

Administration

13. It must be recognised that the schemes would involve extra administration. There is at present no machinery for local consultation between Departments, but this is crucial; there is therefore no escaping extra administrative burdens on departments which will be greatest in the first six months or so when the workings are set up, involving the creation of "lead departments" to liaise with local offices, with cases of disagreement being referred to the Treasury.

14. Another aspect is that it is difficult to lay down precise operational criteria for payments. The proposed schemes involve discretion for departments, and the circumstances of each varies. For example, some find it difficult to recruit staff, while others, even in what are generally problem towns, can recruit good quality staff, but have high wastage after about two years when training is complete. One advantage of the approach is that it should allow departments to tailor payments to their needs. However, central control and co-ordination is vital, in particular with a new scheme, if we are to have any hope of avoiding the kind of dispute which arose in Reading when computer specialists in two different departments, but working together, were paid different amounts. The preparation and consideration of these plans will involve a considerable amount of work, for departments and the Treasury, but the working group agrees that this is unavoidable if the schemes are to get off the ground.

Timetable

15. If Ministers agree to the introduction of the new schemes the next steps are:-

STAGE 1 - 2-3 months from Ministerial approval

Treasury issues requests for departmental plans
Treasury opens discussions with national unions
Departments prepare plans, consulting local managers.

STAGE 2 - 3-4 months from Ministerial approval

Treasury considers departments' plans, and gives formal approval or comments.

STAGE 3 - 4-7 months from Ministerial approval

Departments consult at local level
Cases where departments cannot agree referred to the Treasury

Amendments to original plan fed back to the Treasury, who would not have to give formal approval provided that the changes were within the scope of the original plan.

16. This timing is based on the views of departments on how long would be needed for each stage. In practice it means that the schemes could not be implemented before 1 January 1988, and that even that date would be difficult to achieve.

17. The timing assumes that there will be no pilot exercise. The Working Party examined this possibility, but decided that it would lead to delay (a period of about six months would be needed for a meaningful pilot) and would allow the trade unions to concentrate opposition on the two or three places selected. It was not clear what would be learnt from a pilot exercise, and most departments agreed that the schemes should be implemented across the board rather than piloted first.

HM TREASURY
July 1987



pwp

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 August 1987

Dear Mr

!

CIVIL SERVICE PAY

The Prime Minister has seen the Chancellor's minute of 3 August. She is in broad terms content with the scheme proposed. She has however commented that the suggested maximum for the South East supplement of £500 per annum, with the average payment in the zone not normally exceeding £200, may put heavy constraints on the scheme and may reduce its effectiveness and adversely affect the welcome it is given. She has suggested alternative limits of £600 and £300 respectively.

I am copying this letter to the Private Secretaries to other members of the Cabinet, Simon Judge (Paymaster General's Office), Michael Stark (Mr. Luce's Office) and Trevor Woolley (Cabinet Office).

Y
Mr Addison

(M.E. ADDISON)

CH/EXCHEQUER	
REC.	11 AUG 1987
ACTION	MR GILTHORP
COPIES TO	CST PMG SIR P. MIDDLETON MR FERBSTER MR ANSON MR KEMP MR LUCE MR SCHOLAR MR CHIVERS MR CULPIN MR TRUMAN MRS HARROP MR BELL MR GRAHAM MR CROPPER

Alex Allan, Esq.,
HM Treasury.

CONFIDENTIAL



PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

CH/EXCHEQUER	
REC.	12 AUG 1987 ✓
ACTION	MR GILHOOLY
COPIES TO	CHT AM & SIR P. MIDDLETON MR FERGUSON MR ANSON MR KEMP MR LEE MR SCHWAR MR CHIVERS MR GILPIN MR TRUMAN MR HARROP MR GILL MR GRAHAM MR CROPPER

I have seen Nigel Lawson's minute to you of 3 August enclosing a paper on geographical pay variation in the Civil Service.

I welcome the proposed scheme set out in the paper. Although the proposed payments of up to £500 will not fully solve the problems, I believe that they would be of use in my Department in retaining trained staff and may help to ease recruitment problems.

I would suggest that the scheme be monitored closely from the start to assess its impact, in addition to a full review after an initial two-year period.

While I note that the proposed scheme will have to be contained within existing provision, it will place an additional strain on running costs. In particular, smaller Departments may find themselves at a disadvantage because of the lack of flexibility in their budgets. This aspect will need to be included in the monitoring.

I am copying this minute to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

K.S.

KB

12 August 1987

Department of Education and Science

From Peter Lilley, M.P.

* This seems to contradict
sentence overleaf.

Post-it™ Notes from 3M

CONFIDENTIAL

Bif with
advice



Foreign and Commonwealth Office

London SW1A 2AH

12 August 1987

From The Minister of State

Yes, Nigel,

CH/EXCHEQUER	
REC.	13 AUG 1987 ✓ 13/8
ACTION	MR GILHOOLY
COPIES TO	CST PMG SIR P. MIDDLETON MR FERBSTER MR ARSON MR KEMP MR LUKE MR SCHOLAR MR CHIVERS MR CULPIN MR TRUMPT MRS HARROD MR BELL MR GRAMHAM MR CROPPER.

CIVIL SERVICE PAY - LONDON AND THE SOUTH-EAST

In Geoffrey Howe's absence I have seen a copy of your minute of 3 August to the Prime Minister and the accompanying Treasury note about South-East Supplements (SES). I have also seen a copy of Mark Addison's letter of 10 August to your Private Secretary outlining the Prime Minister's views.

We support the arguments in favour of geographical pay and welcome these proposals as a way to help address the problem of recruitment and retention of junior staff. We also agree that a maximum supplement of £600 and an average payment of £300 would increase the effectiveness of the scheme.

The Treasury note acknowledges the difficulties of Departments, such as the FCO, which are based in Central London. We therefore welcome the greater flexibility offered to Departments in paragraph 10 of your note. To make the scheme effective however, we may well have to pay the maximum for all staff in the relevant grades and the DS Wing could not accommodate such payments within existing running cost limits without cutting other activities. The problem therefore for central departments such as ours will not go away and Geoffrey Howe may want to revert to this after his return from leave. The ODA face a similarly acute problem, as they have virtually no staff in areas which will not qualify for SES or local pay additions*. Increased running costs will also arise from the extra staff required to administer these payments.

/In

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Her Majesty's Treasury
Parliament Street
LONDON SW1P 3AG

CONFIDENTIAL



In his minute of 15 April, Geoffrey Howe also referred to this year's London Weighting negotiations. As you know, all FCO staff face particular difficulties from the requirement to live in the South-East, not just the grades eligible for SES. The pattern of postings means that DS Officers cannot purchase accommodation at the most advantageous times and their spouses often have to give up their careers. The ODA, with part of their headquarters in East Kilbride, are finding it almost impossible to persuade staff to make career development moves to London.* High payments for private sector staff working in London have highlighted this problem. We look forward to hearing from you about London Weighting.

I am copying this letter to the recipients of yours.

A handwritten signature in blue ink, appearing to read 'Glenarthur', with a large, stylized initial 'G'.

THE LORD GLENARTHUR

1. MR GILHOOLY ✓ *1 agree. 13/8*
 2. CHANCELLOR OF THE EXCHEQUER

PS/EST

As duty minister, I should be grateful if the EST could take this on.

*CR 13/8
 PS Please return papers to me.*

FROM: MRS D LUCKIN

DATE: 13 August 1987

cc Chief Secretary
 Paymaster General
 Sir Peter Middleton
 Mr F E R Butler (o/r)
 Mr Anson
 Mr Kemp (o/r)
 Mr Luce (o/r)
 Mr Scholar
 Mr C C Allan
 Mr Chivers
 Mr Culpin
 Mr Truman
 Mrs Harrop
 Mr Hoare
 Mr Graham
 Mr Bell
 Mr Cropper

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

The Prime Minister has seen your minute of 3 August and has commented that she is broadly content with the proposed scheme but has suggested alternative limits, for the South East Supplement and the average limit, of £600 and £300 respectively. We had no warning that this was coming. We estimate that this proposal would increase the cost of the scheme by £9-10 million to close to £30 million in a full year.

2. This is an unexpected development. Your minute proposed that the scheme should be introduced with the £500 and £200 limits but that there could be an interim review. In proposing these limits we had very much in mind the pressures on running costs and we do not know how Departments would react to raising them. Some have argued throughout that the £500 maximum is not enough. However, while they might welcome the higher limit from a management point of view, in the midst of the Survey, Departments would be bound to be concerned about whether they could afford more from within their running costs: a number were already expressing worries about the cost of the original proposals.

3. So far, with the exception of the Secretary of State for Education and Science, none of your Cabinet colleagues have commented on your minute of 3 August, although it is understood that the Foreign Secretary and the Secretary of State for Social Services are intending to do so. Ministers have had little opportunity to respond to the minute from the Prime Minister's private secretary which was also copied to them. From a purely recruitment and retention point of view it is hard to argue that the limit of £600 goes too far, in fact it probably still falls short of the amount some Departments might like to spend. In view of the Prime Minister's line, it is important to reassert quickly that the cost of the scheme must be contained within existing running costs limits and that there will be no question of providing "new money". However, the additional costs are bound to make Ministers even more tenacious in clinging to and pressing their running cost bids in the forthcoming bilaterals and plans will need to be realistic.

4. I attach a draft minute for you to send to the Prime Minister. RCM and GE agree.



MRS LUCKIN

MINUTE FOR THE CHANCELLOR OF THE EXCHEQUER TO SEND TO THE
PRIME MINISTER

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

The Chancellor, however, advised, I am writing to say that we are
~~I~~ am content with the adjustments you suggest to the proposals
outlined in my minute of 3 August.

Departments remain free to participate in the scheme or not as
they so chose, but I *am sure the Chancellor would wish me to* would remind colleagues that the cost of
the scheme must be contained within existing running cost limits
and that "new money" will not be provided.

I am copying this minute to the ~~other~~ members of the Cabinet,
the Paymaster General, the Minister of State (Privy Council Office)
and Sir Robert Armstrong.

PBL

NL

C O N F I D E N T I A L



FROM: PETER LILLEY
 DATE: 14 August 1987

PRIME MINISTER

CP

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

In the Chancellor's absence, I am writing to say that we are content with the adjustments you suggest to the proposals outlined in his minute of 3 August.

Departments remain free to participate in the scheme or not as they so choose, but I am sure that the Chancellor would wish me to remind colleagues that the cost of the scheme must be contained within the existing running cost limits and that "new money" will not be provided.

I am copying this minute to the members of the Cabinet, and the Paymaster General, the Minister of State (Privy Council Office) and Sir Robert Armstrong.

PBL

cc PPS

Chief Secretary
 Paymaster General
 Sir Peter Middleton
 Mr F E R Butler (o/r)
 Mr Anson
 Mr Kemp (o/r)
 Mr Luce (o/r)
 Mr Scholar, Mr GILHOOLY,
 Mr C C Allan
 Mr Chivers, Mrs. D. LUCKIN,
 Mr Culpin
 Mr Truman
 Mrs Harrop
 Mr Hoare
 Mr Graham
 Mr Bell
 Mr Cropper

PETER LILLEY

C O N F I D E N T I A L

B/F with
advice cr
7/9

Minister of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....5949

Switchboard 01-213 3000

CH/EXCHEQUER	
REC.	21 AUG 1987 ✓ 21/8
ACTION	MR GILHOOLY
COPIES TO	CST PMG SIR P MIDDLETON MR F E R BUTLER MR KEMP MR ANSON MR LUCE MR SCHOLAR MR CHIVERS

August 1987

MR WILPIN
MR THUMAN
MR CROPPER

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON
SW 1

Dear Nigel

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

I am writing on behalf of Norman Fowler who is out of London at the moment. I strongly support your submission to the Prime Minister of 3 August on the Treasury's scheme for selective and discretionary additions to pay in areas where recruitment or retention is particularly difficult.

I support the submission on both pay policy and managerial grounds. It takes a useful step in the direction of greater flexibility in Civil Service pay structures and reduces reliance on national rates in general. I also believe that it could bring some welcome relief from the pressing problems on recruitment and retention of clerical staff in London and parts of the South East.

I am only concerned that the £500 ceiling on pay supplements is likely to be too low to have a significant effect on staff wastage rates in some parts of the South East. My view is that the ceiling needs to be raised well above £500. I note that the Prime Minister seems to be of similar view, but even £600 may in some areas prove to have little or no impact. I would myself suggest that Departments ought to be able, exceptionally, to go up to a ceiling of £1000 (with appropriate adjustment to the £200 average) where they are convinced that this is essential. I accept that each exercise of this discretion would have to be approved by the Treasury, and should be regarded as highly exceptional.



As to timing I would like to see the scheme introduced as quickly as possible. I recognise that consultations about, and approval of, Departmental proposals are bound to take time; but I hope that we can, at the latest, implement the scheme from next April.

I am copying this letter to other recipients of yours.

JOHN COPE

CONFIDENTIAL



Minister of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-213.....5949

Switchboard 01-213 3000

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Great George Street
LONDON
SW1

Dear Nigel

SPAY

HM TREASURY - MCU	
RECU	21 AUG 1987
ACTION	<i>PAY 1</i>
	<i>CC AS/CHX</i>
	<i>CHX</i>
	<i>28790/17</i>

334

21 August 1987

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

I am writing on behalf of Norman Fowler who is out of London at the moment. I strongly support your submission to the Prime Minister of 3 August on the Treasury's scheme for selective and discretionary additions to pay in areas where recruitment or retention is particularly difficult.

I support the submission on both pay policy and managerial grounds. It takes a useful step in the direction of greater flexibility in Civil Service pay structures and reduces reliance on national rates in general. I also believe that it could bring some welcome relief from the pressing problems on recruitment and retention of clerical staff in London and parts of the South East.

I am only concerned that the £500 ceiling on pay supplements is likely to be too low to have a significant effect on staff wastage rates in some parts of the South East. My view is that the ceiling needs to be raised well above £500. I note that the Prime Minister seems to be of similar view, but even £600 may in some areas prove to have little or no impact. I would myself suggest that Departments ought to be able, exceptionally, to go up to a ceiling of £1000 (with appropriate adjustment to the £200 average) where they are convinced that this is essential. I accept that each exercise of this discretion would have to be approved by the Treasury, and should be regarded as highly exceptional.

CONFIDENTIAL



As to timing I would like to see the scheme introduced as quickly as possible. I recognise that consultations about, and approval of, Departmental proposals are bound to take time; but I hope that we can, at the latest, implement the scheme from next April.

I am copying this letter to other recipients of yours.

Yours
John

JOHN COPE

CONFIDENTIAL

BIF 219



CH/EXCHEQUER	
REC.	24 AUG 1987
ACTION	MR GILHOBY
COPIES TO	CST PMG SIR P MIDDLETON MR F E R BUTLER MR KEMP MR ANSON MR LUCE MR SCHOLAR MR CHIVERS

QUEEN ANNE'S GATE LONDON SW1H 9AT

24 August 1987

Dear Nigel,

MR CULPIN
MR TRUMAN
MR CROPPER

Thank you for sending me a copy of your minute of 3 August to the Prime Minister about geographical variation in non-industrial civil service pay.

I agree that geographical pay variation is needed to respond to local market forces, and therefore welcome the direction of your proposals. But I doubt whether the amounts envisaged are large enough to make a significant impact on the problems of recruitment and retention, particularly in London and the South East. The requirement to find the cost from within existing running costs limit will also be a major constraint for us.

Our judgment is that payments of up to £1,000 a year may be needed if we are to compete effectively in the jobs market, with new money to fund them. I hope that this turns out to be too pessimistic an assessment, because, if the levels are pitched too low, the expenditure on the scheme both on the supplements themselves and the administration of it could be wasted.

Copies of this letter go to the recipients of your minute.

Yours,

Nigel Lawson

The Rt Hon Nigel Lawson, MP

CONFIDENTIAL

YDDFA GYMREIG

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switsfwrdd)
01-270 (Llinell Union)

0538

Oddi wrth Ysgrifennydd Gwladol Cymru



WELSH OFFICE

GWYDYR HOUSE

WHITEHALL LONDON SW1A 2ER

Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

0538

From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CONFIDENTIAL

25 August 1987

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Your minute of 3 August to the Prime Minister proposed selective pay additions to counter recruitment and retention problems among junior staff in London and the South East. Clearly there is a problem which needs to be tackled but even with the increased levels of payment suggested by the Prime Minister I doubt whether the measures proposed will provide more than a short term alleviation. There are also difficulties inherent in the scheme. For instance, the lower middle manager in London and the South East might see his salary lead for carrying the responsibility of management being eroded by the payment of supplements to junior and less experienced staff.

As you say, there should be no real industrial relations problem with the introduction of the selective supplements. However, there would be a strong reaction if in the future Civil Service staff in the regions were given lower increases to pay for higher increases for those in the South East. Whilst in theory such a divergence in pay rates in the Civil Service might encourage a movement of Civil Service work to the lower cost regions, we do not, as Malcolm Rifkind pointed out in his letter of 7 April, have a mechanism for allowing the longer term savings from dispersal to be set against the higher short term costs.

Like Kenneth Baker, I believe that this experiment should be evaluated carefully to see if it is having the desired impact on recruitment and retention without adverse effects on other grades or on areas falling outside the boundary.

I am copying this letter to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

CH/EXCHEQUER	
REC.	25 AUG 1987
ACTION	MR GILHOOLY
COPIES TO	CST PMG SIR P. MIDDLETON MR FER BUTLER MR KEMP MR ARSON MR LUCE MR SCHOLAR MR CHIVERS MR CULPIN MR TRYMAN

BIF with
advice

CH/EXCHEQUE	
REC.	219 02 SEP 1987
ACTION	MR GILHOOLY
COPIES TO	CST PNC SIR P. MIDDLETON MR FER BUTLER MR KEMP MR ANSON MR LUCE MR SCHULZ MR CHIVERS MR TRIMMAN MR CULPIN MR CROPPER

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
SW1P 3AG

28 August 1987

Dear Chancellor,

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Thank you for sending me a copy of your minute of 3 August to the Prime Minister, whose response I have also seen on my return to the office.

I welcome your proposals as a step in the right direction of varying civil service pay selectively and under controlled discretion so as to begin to tackle some of our most acute recruitment and retention difficulties. I agree with the Prime Minister's proposed increases to the South East Supplement; and believe that, as we gain experience through this scheme in targetting available resources onto particular areas, indeed in my case onto particular offices within a given area, we shall be able to consider individual sums of money that will have a significant impact on the most acute of our recruitment and retention difficulties. To illustrate my point in my Department, there are over 90 offices (out of 490) with serious recruitment and retention difficulties but a relatively small number - perhaps 25 or so - of real blackspots, predominantly in London and parts of the Midlands. I am very much seized of my need to tackle the problems of these offices where it is almost impossible at present to provide a decent service to our customers.

E.R.

At the same time I believe I must seek to solve these acute problems in other ways. I am therefore setting up two urgent studies to establish how I can relocate Headquarters work away from London and the South East as part of my Headquarters accommodation strategy which includes our move to Richmond Terrace at the turn of the year; and social security work which does not have to be done in those local offices which are particularly difficult to staff. These studies will help me implement our policy of putting work where it can be done more effectively and at lower cost to the taxpayer.

Finally I have noted with interest your correspondence with George Younger about comparisons between civil service pay and earnings elsewhere. I agree that recruitment, retention and motivation of our staff should be our guide, as good employers, to what we pay them, and that we cannot pay what we cannot afford. But if we are to avoid the arguments being circular we have to pay our staff at levels which attract, retain and motivate the quality as well as the quantity of staff we need to perform the tasks we set them. Both George and I as major employers are having general as well as particular difficulties in this respect. Whether we shall be able to absorb the costs of your scheme in future and to make further progress will depend both on the improved efficiency that can be brought about by attracting and retaining the right skill levels and on the nature of the running costs regime we eventually agree.

I am copying this letter to the Prime Minister and other members of the Cabinet, and to Sir Robert Armstrong.

— yours sincerely,

G. M. P. Rogers

pp JOHN MOORE

(Approved by the Secretary of State and signed in his absence)

Blk with advice
DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

CONFIDENTIAL

3 September 1987

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CH/EXCHEQUER	
REC.	03 SEP 1987
ACTION	MR BILHOOLY
COPIES TO	CST PMG SIR P MIDDLETON MR FER BUTLER MR KEMP MR ANSON MR LUCE MR SCHOLAR MR CHIVERS MR TRUMAN

3/9

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Thank you for sending me a copy of your minute of 3 August to the Prime Minister about selective pay additions for junior staff in London and the South East.

I welcome these proposals, primarily because they embody the important principle of geographical variation in Civil Service pay, but also because of the degree of discretion which they permit Departments in determining their pay budgets.

I note the doubts which some colleagues have expressed as to the adequacy of the maximum proposed for the SES, even at the £600 level suggested by the Prime Minister. While I have some sympathy with this view, I think that we must also have regard to the effect of this on Departmental running costs. In my view therefore we should launch the scheme with a SES maximum of £600 and an average of £300; but we should monitor it closely and, as your paper suggests, be prepared to increase the levels before the end of the two-year period if experience suggests that this is needed.

Copies of this letter go to other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

JF3ACX

LORD YOUNG OF GRAFFHAM

CONFIDENTIAL



The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CH/EXCHEQUER	
REC.	08 SEP 1987
ACTION	Mr Gilbody
COPIES TO	ES DMC Sir P Middleton Mr FER Butler Mr Hudson Mr Kemp Mr Kitchin Mr Scholar Mr Chivers Mr Giffin Mr Thurman Mrs Harrop Mr Bell Mr Graham Mr Cropper

8 September 1987

Dear Nigel,

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

I have seen the comments of a number of colleagues on your minute of 3 August to the Prime Minister and the accompanying Treasury paper outlining a scheme of south east supplements and local pay additions.

I share the general concern which has been expressed about the impact of the scheme at the levels of discretionary payments proposed; and I would certainly endorse Kenneth Baker's comment that this should be carefully monitored from the outset.

My main concern, however, is that we should look at all possible ways of tackling the problems of recruitment, retention and quality of staff which the statistics show to be such a problem in the south east. As I have already indicated in my letter of 7 April, I am firmly of the view that we need to consider further dispersal of government work as well as solutions in terms of pay additions. I was for this reason interested in the comments in John Moore's letter of 28 August.

A private sector firm, faced with the difficulties described in the Treasury note, would undoubtedly be considering the scope for relocation of some functions. Perhaps therefore the time has now come for us to look again at whether our present arrangements on dispersal could be improved so as to give more stimulus to departments to consider moving to areas with lower costs. The potential benefits from this would be felt well beyond the narrow boundaries of Civil Service running costs.

I am copying this letter to the Prime Minister, other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and Sir Robert Armstrong.

Yours ever,
Malcolm Rifkind

MALCOLM RIFKIND

EML24708

Reference

CF Martin

9 September 87

Chancellors Office

Malcolm Rifkind's letter of 8/9 to
the Chancellor about Civil Service
Pay - London and the South East is one
of several we are expecting. When
comments from the rest are received
we shall put a submission to the
Chancellor, covering them all.

CF Martin.

Pay 1.



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1P 3AG

10 September 1987

Dear Nigel

CIVIL SERVICE PAY - LONDON AND THE SOUTH EAST

Thank you for sending me a copy of your minute of 3 August to the Prime Minister.

I endorse the principle underlying your proposals: the introduction of geographical variations in Civil Service pay to reflect local market forces. As to details of the scheme, I am inclined to share the views Douglas Hurd expressed in his letter of 24 August.

Copies of this go to the other members of the Cabinet, the Paymaster General, the Minister of State (Privy Council Office) and to Sir Robert Armstrong.

*James
Hurd*

NICHOLAS RIDLEY

CH/EXCHEQUER	
REC.	11 SEP 1987
ACTION	Mr G. G. G. G.
COPIES TO	CSF PMG Sir P. Middleton Mr F. R. Butler Mr. Anson Mr. Kemp Mr. T. J. Mr. Schofield Mr. Chivers Mr. Culpin Mr. Thurman Mrs. Harrop Mr. Bell Mr. Graham Mr. Cropper

FINANCIAL SECRETARY

FROM: J F GILHOOLY
17 November 1987

cc Chancellor of the Exchequer
Chief Secretary
Paymaster General
Sir Peter Middleton
Mr Anson
Miss Mueller
Mr Kemp
Mr Scholar
Mr Kelly
Miss Sinclair
Mr Chivers
Mr Truman
Mrs Harrop
Mr Cropper

Inland Revenue

Mr Rogers
Mr Crawley
Mr Jones
Mr Ward

** *
1 wsl head a
one-page (in @ min
2-page) summary
JMS.*

Ch
*briefing to follow
tomorrow*

mpw 17/11

IRSF PAY DEAL: TONY CHRISTOPHER'S VISIT TO CHANCELLOR WEDNESDAY AFTERNOON

We will be giving you briefing tomorrow about the outcome of our talks with the IRSF this evening.

2. Meanwhile you may like to have to hand the draft text of the Agreement (attached) as it stands at 5 30 this evening. I do not think you need read it through: in most respects it is similar to the IPCS deal so far as pay is concerned and of course the revised pay scales have yet to be agreed. It differs from the IPCS deal principally on the management aspects specific to the Revenue (paragraphs 26 and 27 of the draft Agreement).

3. At a number of places there are square brackets around points which have yet to be settled with the IRSF. We would expect to sort out some of these this evening, and will let you know of any points still unsettled which Christopher seems likely to raise at the Chancellor's meeting tomorrow.

4. Even when all is settled this week (assuming that all is settled) the Agreement would remain a provisional one. As the Chancellor said at this afternoon's meeting, it would not be open to the IRSF to make changes to the provisional Agreement. But Treasury Ministers would not be formally committed to it until the Agreement had been ratified at ballot and they had in the light of that given officials formal and final authority to go ahead.

A handwritten signature in black ink, consisting of stylized, overlapping loops and a long horizontal stroke at the end.

J F GILHOOLY

DRAFT

IRSF - LIST OF CONTENTS

1. The Agreement ✓
 2. Annex A: Coverage ✓
 3. Annex B: The Double Spine
 4. Annex C: Spans and Scales
 5. Annex D: Assimilation Arrangements
 6. Annex E: Long-term Arrangements ✓
 7. Annex F: Prospective Developments, Overtime and FMI Part to care
 8. Annex G: Conditions of Service ✓
 9. The Memorandum ✓
 10. Sideletters;
 - i. formal exchange
 - ii. new Departmental grades
- } To care
- } To care

17 November 1987

PROVISIONAL
AGREEMENT

ON THE PAY, PAY SYSTEM, ORGANISATION AND PERSONNEL
MANAGEMENT ARRANGEMENTS FOR GRADES AND GROUPS
REPRESENTED BY THE INLAND REVENUE STAFF FEDERATION

I. Introduction

Agreement

1. This Agreement ("the Agreement") between HM Treasury and the Board of Inland Revenue (on behalf of the Official Side) on the one hand and the Inland Revenue Staff Federation (IRSF) on the other provides for the introduction of revised pay, a new pay system, revised pay and grading arrangements and related matters, and associated arrangements for personnel management.

Grades

Covered

(Annex A)

2. The staff covered by this Agreement are those for which the IRSF has sole recognition. If the IRSF is, after the signature of this agreement, granted sole recognition for other groups of staff, they will be covered by this agreement from a date three months after the change in recognition, unless it is agreed otherwise. Any such agreement will provide for assimilation terms for the grades concerned. Grades where the IRSF has or in the future gains joint recognition may also be covered with the agreement of the union or unions concerned. Annex A lists the grades covered by the Agreement at the date of signature.

Parties

3. In this Agreement unless otherwise stated references to "negotiation", "consultation" and "agreement" should be understood to mean negotiation, consultation, or agreement between the Official Side and the Federation. "Staff" means staff covered by this Agreement. Any part of this Agreement may be amended at any time by agreement.

- 3 4
4. The revised pay and new system and arrangements will be introduced as provided in the various clauses of this Agreement, or otherwise by agreement.

II Objectives

5. The new system is designed:

- i. to secure the confidence of the public in the system for determining the pay of the staff covered by this Agreement by providing that their pay shall be such as, taking one year with another, to recruit, retain and motivate civil servants of appropriate calibre to perform efficiently the duties required of them;
- ii. to secure the confidence of the civil servants in the Inland Revenue at all levels covered by this Agreement that their pay will be determined fairly;
- iii. to enable the Government to reconcile its responsibilities for the control of public expenditure with its responsibilities as an employer;
- iv. to provide greater flexibility in the management and use of the staff concerned and better opportunities for career development;
- v. to provide for equity of treatment while also providing for flexibility to deal with particular pay problems;
- vi. to link the pay and the associated personnel management arrangements;
- vii. to provide incentives for improving and maintaining efficiency in the Inland Revenue;

Pay Scales

- lower part of span
- annual increments

Accelerated increments

- Box 1's
- withdrawal of increments

Treatment of Allowances (Annex C)

Pay Ranges

- upper part of span
- at least three points
- clear rules

Pay Scales

8. There will be a single span for each grading level. These spans will be divided into 'scales' and 'ranges'. A pay scale or scales will form the lower part of a pay span and consist of successive points on one spine (either spine A or spine B) unless other arrangements are agreed. Provided they are efficient, staff will progress in annual steps up the appropriate spine to the maximum of their scale.

9. In addition to the provisions of clause 8, staff who receive a Box 1 marking for overall performance in their annual report and are below the maximum of the scale will be eligible to receive an immediate extra increment with effect from the day following the end of the reporting period. They will then receive their normal increment on their incremental date. This provision will apply within the limit of the maximum of the scale. It will become operative with effect from 1 April 1989. Increments may also be withheld or withdrawn in accordance with the arrangements set out in paragraphs 1247 and 1248 of the Civil Service Code.

10. The treatment of the various allowances which have been paid to staff covered by this Agreement is described in Annex C.

Pay Ranges

11. For each span the pay range will consist of at least 3 points on a spine above the maximum of any pay scale on the span. Increases in the range may be given either for performance or for other purposes. Progression up the range will be discretionary in the sense that it will not be automatic, but it will be in accordance with clearly defined rules and criteria.

Performance

increments

- for out-standing or specially deserving staff
- cumulative performance

12. Increases in the ranges, whether by movement up a spine or from one spine to another will depend on performance as assessed in annual reports. Efficient performance by itself will not be enough to guarantee progression but every person whose performance is outstanding or is otherwise specially deserving will have a possibility of achieving an increase or further increases. Subject to 13 (i) the award of an increase in the range will not depend solely on an appraisal in any one year but on the cumulative picture of performance which emerges over a period of time.

13. From 1 April 1989, staff will be eligible for consideration for increases in the range in accordance with the following criteria:-

(i) following the receipt of at least one Box 1 marking in the grade after reaching the maximum of the scale, a range point on the spine on which the individual is currently being paid.

(ii) following the receipt of at least two consecutive Box 2 markings in the grade after reaching the maximum of the scale, a move to the next highest point on the other spine.

(iii) the reports relevant for eligibility for an increase in the range are annual reports which cover a reporting period ending on or after 1 April 1989 and which give either a Box 1 marking, or the second of two consecutive Box 2 markings (the first of the two consecutive Box 2 markings having been given in an annual report covering a period ending on or after 1 April 1988).

(iv) further increases as defined in (i) and (ii) above may be awarded after the elapse of similar periods; but not more than three increases in the range (whether on spine A or spine B or both) may be awarded in total to an individual while in any one grade. In the case of [Revenue [Administrative] Assistants] who are not certificated as carrying out the full range of duties of the grade, only one increase in the range may be awarded.

(v) increases under the provisions of this paragraph will be paid with effect from the day after the last day of the reporting period. Range points may be withdrawn on a mark-time basis if two Box 4 markings (or below) are received in a period of three years.)

(vi) it is expected that if reporting and marking criteria are properly observed the cost of the provisions of this paragraph will not exceed the cost of giving 25 per cent of the staff in the grades covered a range increase on the spine which they are on; which cost is the overall limit on payments under the provisions of this paragraph.

14. After consultation among the parties central control and monitoring arrangements will be introduced:

(i) to ensure that the provisions of clause 13 are being rigorously observed; and

(ii) to ensure that the provisions of clause 13 are achieving their intended purpose.

The detailed operation of the arrangements set out in clause 13 will be reviewed beginning in April 1991, to refine and/or, if need be, to amend the criteria in the light of the further information which will then be available.

FlexibilityPayments

- where recruitment and retention difficulties
- by job, skill or location
- exceptional arrangements
- special pay additions subsumed

Flexibility

15. In addition to the performance criteria described in Clauses 11 to 14 above, range and scale points may also be used for other purposes. Where, for example, particular and special difficulties of recruitment and/or retention arise they may be dealt with by identifying the post or group of posts concerned, on the basis of the work they do or the skills required, or the location of the post or posts and advancing pay for the staff occupying the post or posts by movement either on or between spines. Their pay scale will be adjusted accordingly. Exceptionally other arrangements may be made to deal with particular problems when the other provisions of this Agreement are unsuitable or inappropriate. Special pay additions in existence at the date of this Agreement for the staff covered by this Agreement will be subsumed as far as possible in increases payable under this Agreement. The assimilation arrangements for those with special additions are set out in Annex [D] to this Agreement.

16. Where range points are used for the purpose of Clause 15 the arrangements, criteria and limits set out in Clause 13 and 14 will not apply. The arrangements provided for in Clause 15 may be used from [1 September 1988]. Treasury authority will be needed for the use of Clause 15.

Scale andSpan Maxima

- Review after levels survey
- agreement in 1989

Settlement and variation of scales and spans

17. The position on the spine of scale maxima and span maxima (and thus range maxima) and minima may be reviewed following pay levels surveys as provided for under the arrangements referred to in Clause 22, and at any other time by agreement or after negotiation. In the review which will operate with effect from 1 August 1989 the parties will agree any changes in the scale maximum or maxima (one or more) applicable in

provisions of Annex E,
for information on
in other employment
1989 pay review.

per of staff may submit an appeal
general provisions set out in
1973 of the Code and described in
3 of the Inland Revenue Staff Handbook
failure to obtain award of an increase
further increase within the scale or range,
against the withholding or withdrawing of
an increase. Consultation is taking place
between the Inland Revenue and the IRSF with
the aim of producing agreed appeals machinery
for this purpose.

IV Introduction of the new arrangements

19. All existing pay scales will be increased
by 4 per cent on 1 April 1988.

20. On [1 September 1988] the pay of all staff
covered by this Agreement will be assimilated
to the double pay spine established under
Clause 7, as set out in Annex D.

21. On [1 April 1989], all scale points, range
points and span maxima will move to the next
highest point on the other spine.

VI Pay Reviews in the Longer-Term

22. Following the April 1989 pay increase (see
paragraph 21 above) pay for the staff covered
by this Agreement will be determined in accordance
with the arrangements on long-term pay contained
in Annex E.

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commits itself to continuing such changes and developments in a constructive way.

the Inland Revenue and IRSF recognise changes will from time to time lead sequential reductions in posts needed in particular areas. Where this happens, it remains the normal practice to give consideration to redeploying staff elsewhere, the Inland Revenue recognises that reasonable arrangements will be needed in these circumstances to minimise any adverse effects on the interests of individual staff members who may be affected.

(v) The IRSF accepts that, where it is appropriate to ensure that changes and developments can go forward, it may be necessary to revise the grading guidance relevant to IRSF grades.

(vi) The Revenue and IRSF recognise that when circumstances arise under which in-service resources or expertise are not readily available to meet a particular need, use may need to be made of measures such as the direct recruitment of staff at varying levels, the employment of staff other than on permanent appointments, and the use of consultants. In such circumstances, the Revenue will consult with the IRSF as provided for in existing arrangements. Such discussions would cover the reasons why the situation had arisen and whether they are likely to recur in future.

(vii) Paragraph 24 (i-vi) above does not affect existing agreements or codes of practice with the IRSF; nor does this affect the IRSF's right to be consulted under existing

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- terms of reference

and Assistant Collector grades. The aim will be to complete this work by 30 June 1988. The Inland Revenue will consult the IRSF on the terms of reference for this work. The IRSF for its part will approach negotiations on proposals flowing from this work cooperatively and constructively.
- valuation office scope for transfer of work

(iii) The IRSF note that the Valuation Office will put in hand work to examine the scope for transfer of duties between Valuation Technician, Valuation Clerk and [R[A]A] grade. The aim will be to complete this work by 30 June 1988. The Inland Revenue will consult the IRSF on the terms of reference for this work. The IRSF for its part will approach negotiations on proposals flowing from this work cooperatively and constructively.
- terms of reference
- Page Working Party

(iv) The IRSF and the Board of Inland Revenue note that the Page working party has reported its findings. The IRSF and the Board of Inland Revenue further note that the Neilson Working Party is due to report its findings in December 1987. Both sides agree to approach the findings of these working parties and negotiations on proposals flowing from this work cooperatively and constructively.
- Neilson Working Party
- overtime working

(v) The Inland Revenue and IRSF agree that arrangements on overtime working by IRSF grades should be as set out at Annex F.
- budgetary consultative procedures

[(vi) The Inland Revenue and IRSF agree that arrangements for budgetary consultative procedures should be as set out in Annex [].]

XI Starting Pay on Promotion and Appointment

Starting Pay on Promotion

28. The general Civil Service starting pay on promotion agreement will not apply to the staff covered by this agreement. [Staff promoted to a higher span from the maximum of their scale

Two point
increase
- higher
scale limit

of two pay points on the pay spine subject to not exceeding the maximum of the scale in the higher span. Staff promoted from below the maximum will move to one point above the maximum of their scale. Details are in Annex C.]

Starting

Pay on

appointment

- market rates
- acquiring experience
- avoiding anomalies

29. Starting pay on appointment to the various recruitment spans shall have regard to:-

i. the need to give individuals an opportunity to demonstrate they can undertake satisfactorily the full range of duties normally expected at this grading level; and

ii. on the one hand, market rates for the recruits required and, on the other hand, the desirability of avoiding the creation of anomalies between new recruits and serving members.

Conditions

of Service

- entitlements
- (Annex F)

XII Conditions of Service

30. The initial arrangement for the hours, annual leave, overtime, travel and subsistence entitlements associated with the various pay spans are set out in Annex F. These arrangements will operate with effect from the assimilation date.

Disagreements

provisions for
arbitration on
- range pay
arrangements
- flexibility
increases
- position of
scale and
span maxima
- allocation of
grades to
spans
- assimilation
to pay spine
- resolving
pay anomalies
- starting pay
on promotion
- starting pay
on appointment
- conditions of
service

XIII Resolution of Disagreements

31. The provisions of paragraph 17 of Annex E relating to the settlement of disagreements and disputes in respect of issues arising under that Annex apply also to issues arising under Clauses [13, 15, 17, 20, 28, 29 and 30] of this Agreement so far as these are of general application and are not specific.

Signed:

For the Official Side:

.....
HM Treasury

.....
Inland Revenue

For the Inland Revenue Staff Federation

.....
General Secretary

JUDICE
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WORKING DOCUMENT
WITHOUT PREJUDICE
AGREEMENT

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NTAL GRADES
Administrative] Assistant (See Note 2)
ist (See Note 3)
on Clerk (See Note 3)
rk (Higher Grade) (See Note 4)

All Inspectors except
(i) those who have passed FT2; and
(ii) those recruited directly for full training.
[This covers posts designated at this grade (graded AA)]
in the Valuation, Taxes and Collection Network Offices,
Accounts Offices, Centre 1, Telford Development Centre
and Valuation and Taxes Regional Offices.
[This covers posts designated at these grades (Typists
and Personal Secretaries)] in the Valuation, Taxes and
Collection Network Offices, Accounts Offices, Centre 1,
Telford Development Centre and Valuation and Taxes Regional
Offices.
[This covers posts designated at this grade (SEOs in
Valuation Offices).]
Note 4 Coverage may be amended or extended by agreement among the parties
to the Agreement. Other areas are currently under consideration.

(iii) to enable the Government to reconcile its responsibilities for the control of public expenditure with its responsibilities as an employer.

SYSTEM, CONSTRAINTS AND CRITERIA

Pay reviews:
parameters and
criteria

6. These objectives shall be implemented through a system of informed collective bargaining within the parameters set out in Clause 7 having regard to the criteria set out in Clause 8.

Inter-quartile
range of pay
movements

7. For the staff covered by this annex taken as a whole the parameters within which negotiations and settlements shall take place will be the interquartile range of the annual percentage movements in the remuneration of non-manual employees outside the public services sector.

Coherent and
rational pay
structure

8. Within the parameters set out in Clause 7 rates of pay will be revised in the manner set out in Clause 11 through negotiations which will take account of the objectives of this annex set out in Clause 5 and the need for a coherent and rational pay structure. The parties may also adduce for consideration in the negotiations whatever other factors they may consider relevant from time to time and any such factors will be considered on their merits.

Inter-quartile
range of pay levels

9. Subject to Clause 10, one of these factors will be information on the inter-quartile range of pay, conditions and other relevant benefits of relevant jobs outside the public services sector including in particular the financial sector as established by surveys under the provisions of this annex. If it is agreed in the light of such a survey that the remuneration of the jobs in question has become seriously inconsistent with the remuneration of relevant jobs elsewhere so that unacceptable changes have arisen or where, for any reason, the parties are agreed that special arrangements are required, steps will be taken to resolve the difficulty as soon as reasonably possible by agreement between the parties and within the terms of this annex.

Frequency
at least every four
years

10. The spans for which levels surveys can be arranged and their frequency and methodology will be agreed between the parties but such surveys shall take place for each span at least once every four years unless agreed otherwise.

Manner of reviews
-double spine
-span
-scales and ranges
-range of pay criteria
clauses 15, 22

11. All pay reviews will respect the provisions of the principal agreement and will, therefore, be conducted in the following way:

(i) the double spine will be reviewed jointly in each annual pay review;

(ii) spans may be relocated on the double spine if a levels exercise shows that this is desirable or necessary;

(iii) the position on the double spine of ranges and scales may be reviewed at the same time as the position of spans on the double spine;

(iv) the criteria referred to in Clause 13 of the principal agreement may be reviewed at the same time as a pay review or at any other time after negotiation between the parties;

(v) circumstances covered by Clause 15 and 22 of the principal agreement may be the subject of a review at any time and shall be dealt with in the manner set out in those clauses.

PROVISION OF INFORMATION

Data collection
-by Office of
Manpower Economics

12. The collection and analysis of the information specified in Clauses 7 and 9 shall, unless otherwise agreed be undertaken by the Office of Manpower Economics (OME).

Data analysis
-to be agreed by both
sides
-access to raw materials

13. The parties shall consult together and agree on the basis of collection and analysis of the information required under this annex and on the method of identifying and determining relevant jobs. Subject to any conditions laid down by participating organisations to safeguard their identities, the parties may have access to the raw material.

ANNEX E (contd.)

Confidentiality

14. All information collected under this annex shall be confidential to the parties unless otherwise agreed.

OPERATIVE DATES, TIMETABLES AND NEGOTIATING PROCESS

Operative date

1 August

15. The timetable for the collection of information and for the conduct of negotiations shall be agreed by the parties with the aim of enabling negotiations to be concluded before the operative date for the pay review. Unless otherwise agreed by the parties the operative date for pay settlements in each year shall be 1 August.

Negotiating
process

16. The parties will consult together in good time before each pay review to discuss on a without prejudice basis any particular aims and objectives either of them may have for the forthcoming negotiations. In this context the parties intend to maintain a system of spans with scales and ranges based on the double pay spine as defined in the principal agreement which will facilitate a flexible response to particular needs and requirements which may develop over time. Where claims by the IRSF or proposals by either party are limited to a particular group they will without prejudice to Clauses [15, 17 and 22] of the principal agreement normally be made before any general negotiations begin and, if not settled during the progress of these general negotiations, will be settled as soon as possible thereafter within the limits set by this annex.

Disagreements
-orderly settlement
-arbitration
-constraints

17. The parties attach high importance to the orderly settlement of disagreements and to the avoidance of industrial disputes. When negotiations fail to produce an agreement the parties will therefore explore avenues to seek a resolution of the difference; these avenues may, if so agreed, include reference to the Civil Service Arbitration Tribunal. One party will explain fully in writing to the other party and on an open basis if any particular avenue is not acceptable. Any independent body to which reference is made for advice or for an award must respect the terms and constraints of this annex.

1/01

21

17 November 1987

22
ANNEX F

DOCUMENT
PREJUDICE

PREJUDICE

all be open to the parties to
that the terms of this annex should
d temporarily in respect of any
lar negotiation, and such variation
ly be effected by agreement.

The Government further reserves the
right to suspend operation of this annex
temporarily and exceptionally where this is
necessary to safeguard the public purse or
where such action is required for reasons
of public policy. In such an event, the IRSF
will be consulted in good time so that any
representations it may wish to make will be
taken fully into account before a decision is
taken. Should such a decision ever be taken,
full and detailed explanation of the
exceptional circumstances and why any
representations which may have been made have
been rejected. The statement will also set
out the duration of the suspension.

t)

12.11.87

ANNEX F (PART)

DRAFT1. INTRODUCTION

1.1 The agreed objective of the Board of Inland Revenue and the Inland Revenue Staff Federation is that the staffing need of the Department should be met by permanent staff wherever possible.

Both the Board of Inland Revenue and the Inland Revenue Staff Federation accept however that offices will at times require resources in addition to their authorised complements or to their staff in post to meet demands of their workloads. These additional resources may be provided through the secondment of staff on relief; employment of casual staff; working of overtime, or a mix of these.

The employment of casual staff is the subject of the Code of Inland Revenue Practice of October 1986.

1.2 This note has been agreed between the Board of Inland Revenue and the Inland Revenue Staff Federation. It sets out the circumstances in which overtime may be worked in the Taxes and Collection network. The arrangements for overtime working in the Accounts Offices are set out at para 7.

1.3 A separate agreement will be concluded by 29 February 1988 in respect of the circumstances in which overtime may be worked in the Valuation Office.

2. CIRCUMSTANCES JUSTIFYING OVERTIME

2.1 The circumstances which may lead to the need for extra resources in a local office are listed in this paragraph.

2.2 EXCEPTIONAL SICK OR SPECIAL LEAVE A loss of working days in excess of normal expectations as provided for in the complement.

2.3 EXCEPTIONAL MATERNITY LEAVE

i. a loss of working days in excess of normal expectations as provided for in the complement

ii. a temporary vacancy which has been left open after the expiry of paid maternity leave in anticipation of a mother's imminent return.

2.4 SHORT TERM GAPS IN FILLING VACANCIES A loss of working days suffered between an officer leaving a post and the appointment of a replacement. And a gap in filling a new post added to complement. The gap in respect of which extra resources may be allocated will not normally exceed 8 weeks in each case.

2.5 EXCEPTIONAL TRAINING ABSENCES A loss of working days due to attendance on training courses and study time in excess of the level at which the office has received compensation in the calculation of its complement.

2.6 IMBALANCES OF STAFF A loss of working days in an office which has not enjoyed its full complement of staff because of surpluses of staff elsewhere.

2.7 OFFICE REORGANISATIONS To meet the extra work and loss of normal working time arising from office reorganisations or office removal to a new address.

2.8 SPECIAL CIRCUMSTANCES There may be instances where offices' workloads fall, or are expected to fall, into arrear for other reasons. And there may be instances of special one-off jobs which have to be carried out in a limited period. These arrangements provide an opportunity for a case for extra resources to be made out, without reliance on the specific examples at para 2.2 to 2.7.

3. CALCULATION OF EXTRA RESOURCES REQUIRED

3.1 At the end of each quarter subject to para 3.4 the Officer in Charge will consider:

1. the extent to which the office has suffered a shortfall of working days for the reasons detailed at paras 2.2 to 2.6 (calculated as described in para 3.5)
- ii. what extra resources if any are required for reasons detailed at paras 2.7 and 2.8
- iii. whether the state of work in the office and prospects in the immediate future justify the extra resources which prima facie are needed following the calculations under i. and ii.

3.2 The quarterly review will be carried out immediately after the January, April, July and October District Form 384 reports or the Collection Management Record (CMR).

3.3 On occasions, because of developments since a quarterly review, an Officer in Charge may consider at a time other than a quarter date whether to seek extra resources for the reasons in para 2.8.

3.4 The quarterly review need not embrace para 3.1(ii) where the local office cannot finance from its budget the extra staff resources required and/or the Regional office has advised that no monies can be applied at present to extra resources and no Regional relief is available.

3.5 The calculation of the working days lost by each grade (paras 2.2 to 2.6) will be by comparison of the information on resources in the Form 384 for Districts or the Collection Management Record with the office complement and expected losses through sick etc absences. That is, for each grade there will be made

1. a calculation of the gross working days (ie excluding weekends, Bank Holidays, privilege days) which would accrue from the office's authorised complement and a comparison of this with the gross working days actually realised in the quarter
- ii. a comparison of the absences for sick leave, maternity leave and special leave with the absences normally expected for these reasons (advice on normal levels will be issued separately)
- iii. a comparison of the days lost through training with the equivalent days provided through any training supplement included in the office complement.

The deficits and excesses under i. to iii. will be aggregated to form the basis of any submission relying on para 3.1(i).

4. CONSULTATION

4.1 The calculations under para 3 should be made available to the Office Whitley Committee. They are a matter proper for discussion at Office Whitley.

4.2 If the Officer in Charge plans to apply to the Regional Office for authority to use extra resources the views of the Whitley Committee will be sought, in particular whether they have any objection to the working of overtime. Any such objection should be recorded in the Officer in Charge's application to the Regional office.

4.3 The Regional policy on meeting requests for extra resources and the manner in which requests are fulfilled (ie by relief, casual staff, or overtime) is a matter proper for discussion at Regional Whitley. Particulars of applications for extra resources and of the Regional Office response should be made available to the Regional Whitley Committee at quarterly intervals.

5. APPLICATIONS FOR EXTRA RESOURCES

5.1 In all instances where the Officer in Charge considers there is a need for extra resources, a formal approach to the Regional Office will be made.

5.2 Regional offices will consider applications from local offices. Subject to funds being available, they will seek to meet approved requests by the most suitable means or a combination of means:

- arranging relief
- engagement of casual staff
- authorising overtime working.

5.3 Regional office will normally maintain relief forces sufficient to meet a significant part of the requests for extra resources, particularly at TOHG and TO grades.

5.4 It is not envisaged that overtime in regard to paragraphs 2.2 to 2.7 - excluding that which might arise under para 6.1 - will account for more than 1% of the Regional budget for salaries and associated costs.

6. OTHER OVERTIME

6.1 It is recognised that a special need for overtime, outside the day to day arrangements covered by paragraphs 2, 5 of this agreement, may be determined at national level. On each occasion, the agreement of the IRSF to additional overtime working will be sought. The normal expectation is that if the working of overtime is perceived to be appropriate and the Board of Inland Revenue are perceived to have fulfilled their obligation under para 1.1, the IRSF will offer no objection.

6.2 Nothing in this agreement is intended to affect
o the arrangements in Collection and Tax Offices for making personal calls outside normal office

hours where the taxpayer cannot otherwise be contacted

- o the agreement on the setting up of COP/CODA
- o the provision of security overtime
- o the existing arrangements for the computer centres.

6.3 Matters outside this Agreement will be subject to the normal processes of negotiation between the Board and the IRSF over national policy on overtime and its provision.

7. ACCOUNTS OFFICES

7.1 It is recognised that, because of the nature of the Accounts Office operation, it is necessary that management should have an overtime facility at their disposal to deal with short term peaks of work and unexpected events such as the breakdown of, or other difficulties associated with, the computer systems.

7.2 Unless operationally impracticable, Accounts Office management will seek the agreement of local IRSF representatives to the working of overtime. Any formal objection by the IRSF will be recorded for the information of management.

7.3 Immediately after the quarters ending January, April, July and October, the IRSF, nationally and regionally, will be provided with a summary of overtime worked by each grade in each Accounts Office.

8. TERMS OF AGREEMENT

This Agreement will come into effect on the date it is signed for a period of 5 years unless extended by mutual consent. It will be open to either side to propose at any time a review of its provisions or any part thereof. Where a review is proposed, the existing provisions will remain in force until the date agreed for the implementation of provisions revising them.]

Still
being
discussed
with IRSF.

M E M O R A N D U M

InterpretationGuiding
principles

1. Although every care has been taken to express the Agreement in terms which are clear and unambiguous, the parties recognise that many of its provisions deal with matters of broad principle which may not fit exactly every particular circumstance which may arise. Where any question of interpretation arises, therefore, the parties will consult together and seek to produce an agreed and authoritative interpretation on the point at issue by applying the broad principles of the Agreement.

Clause 71989 movements
and levels
surveys

- inform but not constrain
- cost during financial year

2. As clause 7 records, the Treasury and the IRSF have agreed to change the operative date of the annual pay review to [1 August] and that the transition to this new date will be made in 1989. For the [August 1989] review the Treasury and the Federation are agreed that the Office of Manpower Economics will be asked to provide information on pay levels, and on pay movements over the twelve month period from July 1988-June 1989; that the information to be provided by the OME and the provisions of Annex E will inform but not constrain negotiations, and that if need be, arrangements for the implementation of the review may be made having regard to the total cost during the financial year 1989-90 and as may be subsequent financial years of increases in pay deriving from the Agreement, bearing in mind the date of the next levels survey.

Frequency of
levels surveys

- at least
every four
years

3. The Treasury and the IRSF are agreed that levels surveys shall take place for each span at least once every four years unless otherwise agreed. A second levels survey for some grades may be necessary before [August 1993]. The parties will consider this question further following the [1989] review.

Clause 9 [to come]

Clause 13

Range pay

introduction
april 1989

- retrospective
box markings

4. The Treasury and the IRSF have agreed that range increases under the provisions of Clause 13 will become eligible for payment from 1 April 1989. Staff who are awarded range pay under clause 13 of the main Agreement will receive such pay as soon as practicable after completion of the relevant report and with effect from the day following the end of the reporting period. The introduction of these arrangements from April 1989 means that, for some time ahead, account will be taken of marks in annual reports completed before that date including some completed before the introduction of this Agreement. Where this involves reference to annual reports completed under the old system the relevant markings will also be Boxes 1, 2 and 3.

Range pay quota

- IRSF
reservations

5. The IRSF records that it has strong reservations about the appropriateness of the 25 per cent limitation and in the light of experience it may wish to review this limitation, which is thus without prejudice to any representations it may make in the future.

Clause 14

Future range
pay proposals

6. It is agreed that under the provisions of Clause 14 alternative arrangements to meet the objectives of the Agreement set out in Clause 5 (vii) and (viii) may be put forward by either party at any time, and adopted by agreement.

Clause 15Local Pay
Additions

7. It is noted that as this Agreement is being prepared the Treasury has put to the Council of Civil Service Unions proposals relating to "Local Pay Additions" (LPAs) designed to make possible payments to staff, including staff covered by this Agreement, in the light of difficult circumstances of recruitment and retention where they exist in London and the South East and other particular areas. This proposed system could be a way of dealing with some of the problems referred to in Clause 15 of the Agreement, where location is referred to; and it would be the intention of the Treasury that where the use of LPAs would be more appropriate than the use of Clause 15, then LPAs should be used.

Clause 24Grades 4 to 7

8. It is noted that as the Agreement is being prepared the Treasury have put forward proposals relating to the application of many of the principles of this Agreement to Grades 4 to 7 within the Civil Service generally, including grades 4 to 7 represented by the IRSF. In principle the Treasury would expect that these separate Service-wide arrangements covering Grades 4 to 7 would also cover grades 4 to 7 represented by the IRSF, and it is agreed that if they did so this would discharge the issue referred to in Clause 24 of the Agreement.

Clause 26 and 27Financial
limits

9. Insofar as specified monetary limits are relevant to the allocation of work between grades the Inland Revenue and the IRSF confirm their existing agreement that these should be periodically reviewed with a view to maintaining their value in real terms.

Clause 28Starting Pay
on Promotion

- interim
arrangements

10. [The arrangements for starting pay on promotion set out in Clause 28 were designed to provide for the general and usual circumstances of promotion. Other arrangements will be necessary where grade skipping or early promotion is the norm. Detailed consultation will, therefore, take place before 1 September 1988 on a case by case basis to agree arrangements for the initial period before the 1989 review. These arrangements will be designed broadly to maintain present expectations. Arrangements for the longer term will be part of the 1989 review.]

Annex ELevels surveys

- implementation
of results

11. The Treasury notes that the IRSF expects that, if level surveys identify unacceptable changes in the level of remuneration, these should be resolved with reasonable expedition. Subject always to the terms and constraints of the Annex, this would also be the Treasury's intention if it is agreed that unacceptable changes have arisen. The same goes for other urgent revisions which may be agreed. The arrangements for the [1989] review are dealt with separately in paragraph 3 of this Memorandum.

Lower paid

12. The Treasury note that among the factors to which the IRSF will wish to give particular and persistent emphasis is the position of the lower paid.

Relevant jobs

- method of
selection
- conduct of
levels surveys
both to be
agreed

13. On the question of definition of "relevant jobs" it would be inappropriate at this stage to specify any particular method of selecting jobs as relevant, or a particular method of conducting level surveys but it is agreed that for the purpose of Annex E these are matters to be settled by negotiation among the parties, in accordance with the Annex in good time for the [August] 1989 review.

Unilateral
bitration

- IRSF and
Treasury policy

14. The Treasury notes that the IRSF's long-standing policy is for unilateral access to arbitration and that the Agreement is without prejudice to this policy. The Annex does not provide for this, and the Treasury must make it clear that the Government is not prepared to enter into any agreement which does so provide, or to amend any agreement which provides only for agreed access to arbitration so as to admit unilateral access.

Involvement of
third party

15. It is noted that the IRSF considers that the avenues referred to in Clause 17 could if so agreed also include the involvement of an independent third party, for example the Arbitration, Conciliation and Advisory Service (ACAS).

Civil Service
Arbitration
Agreement

- status
unaffected

16. The Treasury and the IRSF agree that the Annex is without prejudice to the present Civil Service Arbitration Agreement which is the property of the Civil Service National Whitley Council. The Treasury has also to add that it is without prejudice to the Government's interpretation of that Agreement in relation to the application of public policy.

total paybill

- interquartile
range
constraint
- variation
beyond
constraint

17. The Treasury adds [and the IRSF accept] that the constraints established by Annex E, in particular in Clause 7, relate to increases in the total pay bill of all staff covered by the Annex, on the basis of constant numbers and mix of staff. In considering whether or not a particular increase falls within the constraints, account must be taken of the cost of all increases deriving from pay reviews involving the staff who are covered by the agreement: under Clause 15 of the Annex it is expected that all proposed increases (including any adjustment payable under Clause 15 of the Agreement) will in any event be brought together at the time of the general negotiations. Particular spans or groups may receive different increases and could receive increases above or below the limits set by these constraints.

InterquartileConstraint

- except by agreement

Developmentof pay system

18. Annex E makes it clear that subject to Clause 19 both sides have the right of protection which Clause 7 gives, unless it is agreed otherwise.

19. The Treasury must also emphasise the importance attached to the reference in Clause 16 to the flexible development of the Civil Service pay system over time, and their view that responding positively to particular needs and requirements need not be inconsistent with a national pay system.

Arbitration

- Megaw principle

20. Clause 17 of the Annex states that both sides attach high importance to the orderly settlement of disputes. The Megaw recommendations, the broad approach of which the Government have said they are prepared to accept in principle, said that the Civil Service arbitration arrangements should be renegotiated so that "while there is a strong presumption that arbitration will be used to avoid disagreements, access is at the request of both parties and either side can refuse to go".

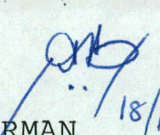
Override

- ground rules

21. On the question of override, by the terms of the Annex the Government would be able to operate this procedure only on a temporary and exceptional basis should the need ever arise. It is impossible to foresee all the circumstances in which this procedure might be exercised, and a Government doing so would require to have regard to all the circumstances and considerations obtaining, including all the objectives set out in Clause 5 of the Annex.

FROM: D B ROGERS

SPARE
PSP


CHAIRMAN

18 November 1987

CHANCELLOR OF THE EXCHEQUER

IRSF PAY AGREEMENT

There are two particular points I should mention in connection with your meeting with Christopher this afternoon:-

OVERTIME

There are two aspects:

- (1) Long term - we have hammered out an agreement which Christopher wants to amend by introducing a six months notice of withdrawal by either side and a two-year running period subject to renewal. I have told him that this would give all the wrong signals and I am not prepared to agree to a six months withdrawal notice, nor a running period of less than five years. Christopher does not like these conditions one bit and may very well raise the matter with you. I have explained that the agreement on overtime is an essential

cc FST
Mr Kemp

element of any pay agreement and I have mentioned your concern. Having said that, I think we could live with a four year running period renewable, and you may think that this is a concession you could give if he kicks up a fuss. In practical terms I doubt that it is possible to tie down the IRSF to an indefinite period but after overtime has become an accepted part of the system during a period of four or five years the chances of an agreement not being renewed are greatly diminished.

- (2) Short term - The winter supplementary includes £10m for overtime to help us to get the workstate in the network into as tip-top condition as possible by next April. Christopher has been told that extra money has been made available but not the actual source or the amount. Again we have emphasised that this is not optional and that the pay agreement depends on its acceptance by the IRSF. Christopher acknowledges this but emphasises that he will have a hard job to coax his Executive to agree and that his best chance of success depends on putting it to the Executive at the same time as the proposed pay agreement. He thinks it would be counter-productive to try to obtain that agreement before any pay proposals are put to them. If you were to emphasise the importance of their agreement to this short-term overtime, I am sure it will be helpful. The critical executive meeting has been fixed, I believe, for 26 November.

DP

DP people are represented by both the IRSF and the Society: the London and Worthing offices are almost exclusively Society whereas Telford, where COP, CODA and BROCS have or are being

developed, is 60% IRSF and 40% Society. Our present practice is to limit IRSF grades in DP entitled to the DP allowance from earning more than the maximum of the equivalent Admin group salary scale plus the DP allowance. (Some of the IRSF grades have a pay lead over the Admin grades.) This practice rests on:-

- (a) the intellectual argument that the DP allowance is intended to reflect market rates, to a degree, for DP scales, and
- (b) the management argument that we should pay the same rates at the maximum for the same work irrespective of an Admin or Departmental background or their union membership.

We have discussed the Telford position, which is where the IRSF membership is involved, with Steve Matheson and in the light of that discussion we have taken the line that the proposed pay agreement should not breach the principle of people on the maximum being paid the same amount whatever their union membership. We believe that if IRSF members were able to break through the maximum of HEO pay plus allowances there would then be severe discontent among the Society members working alongside them and might put at risk the high level of commitment and enthusiasm which all the staff at Telford bring to their work. So far we have not lost staff from Telford to the private sector and there is a danger that if we were to discriminate in pay this could change.

In managerial terms there are some advantages in having two unions representing DP staff at Telford. There is another possibility in the background - discussions at official level are going on about an occupational group for Information Technology staff and this could change the whole scene.

There is no doubt that Christopher and his Secretariat feel very strongly that all their people in DP (including those on the maximum) should benefit under the pay agreement but we see all sorts of difficulties arising if we do distinguish between IRSF and Society members.

But further discussions have now started and are continuing at this moment. It is possible that a way round this difficulty may be found and we will update you at the short briefing meeting at 2.30.

Wm

pm

FROM: E P KEMP
18 November 1987

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Sir Peter Middleton
Mr Anson
Miss Mueller
Mr Luce
Mr Scholar
Mr Kelly
Mr Gilhooly
Mr Cropper

IRSF - LATEST STATE OF PLAY

We are seeing you in half an hour or so and this note is intended to let you have the very latest state of play, supplementing previous notes you have had, following on from the further lengthy and rather difficult meetings we have had since your meeting of yesterday afternoon, last night, this morning and over lunch.

2. I think Mr Christopher will say that the Agreement is a good one. He certainly wants it badly. He will agree that there are a lot of loose ends, some of them of fair importance, but none which need take up your time or his this afternoon. But there are two issues which he will want to talk about specifically.

3. The first of these is a general one about the coverage of the Agreement - that is to say, whose pay will be governed by it. The IRSF would like to have as many of the Revenue staff as possible covered, so as to make it virtually a "one union" organisation at least below Grade 7. We do not greatly object to that as an ultimate aim, nor, I believe, do the Inland Revenue. But it immediately and specifically comes up with some very difficult people; namely ADP operators, where there are complicated arrangements to keep their overall pay in step irrespective of whether they belong to the IRSF or to the Society. The justification for this is a market one. But a side effect may be that the IRSF members would find some of their gains under the Agreement offset by downward adjustments to their ADP allowances. We have just agreed a form of words for the

Memorandum recording both sides' position and agreeing to discuss this issue further next year (it does not bite as an issue until assimilation and much could change on ADP allowances etc in the interim). But the pace of developments has been such that Christopher may not have heard this before he sees you.

3. He may nonetheless try to argue for a greater concession, making the general point on this area that this is a very good deal, not a "no strike" agreement but one which procedurally should help to minimise strikes and disruption, and that it is all very worthwhile. (In making these remarks Mr Christopher will be speaking not just as General Secretary to the IRSF, but as a very leading light within the TUC and its next Chairman, and as a man who wants to be in the lead on "new realism" and all that). If he does press on this you should stand firm on the point that you understand that a resolution to this difficulty has now been found and that we cannot sensibly try to go further now. (Here, as generally Christopher is under tremendous time pressure - self-imposed - which he cannot get out of.)

4. Secondly, and this is much more difficult, Mr Christopher will say that there is not enough money. In accordance with your instructions we have moved to what we have described "as about 6.3/6.4" per cent (falling short of your figure by a small margin) and have worked through some numbers. We have made it clear this move was an enormous concession on our part, since we had thought in terms of IPCS first year costs which were around 5 $\frac{3}{4}$ per cent. Mr Christopher's war aim had been around 7 per cent, so we said that something between 6.3 and 6.4 was splitting the difference which was a fair approach. Within that approach we have done a good deal of arithmetic over night, and can certainly come up with packages which meet quite a lot of Mr Christopher's war aims so far as specific grades etc go, and which fall within this envelope. What Mr Christopher is likely to say, however, that it is still falls short of what he wants, and that at this sort of figuring it is not "saleable" to his full Executive or to his members.

5. You will have to listen to Mr Christopher and make your judgment. My own view now is that if you make it absolutely clear first that there

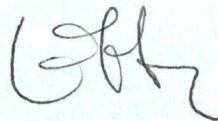
V. Langman

is not a penny more than has currently been offered and second that regretful though it would be for us we will walk away from the deal if pushed too hard, then there is quite a good chance that he will come along. The fact remains that after the deal is done the figure of 6.3 or whatever it is will be completely buried; no-one will be able to calculate it and no-one will publicise it (we never publicised the IPCS 5 $\frac{3}{4}$ per cent). What we shall hear about will be the upside, seen from the staffs point of view; 4 or possibly 5 increases over 17 months (something on 1 April 1988, 1 September 1988, perhaps 1 January 1989, 1 April 1989 and 1 August 1989) and percentage figures which if cumulated and if one overlooks the fact that the deal has to last in effect 29 months look very very healthy (arguably, indeed, too healthy and we have put to Mr Christopher your point about making sure we can agree the presentation - though whether he will stick to such an agreement is another matter). You should also point out that this deal will give him the magical "levels surveys" which although not in any sense constraining will inevitably have a persuasive force, and which all the Civil Service Trades Unions are desperate to get. So he has got quite a lot to sell. His answer, of course, will be that we are getting quite a lot out of it too; the overtime apparatus, "taking out" the IRSF from pay disputes for a couple of years, the settlements whose cost arguably might well be less than free collective bargaining would lead to (especially if accompanied by industrial action), and the various management initiatives etc which the Revenue want. You could reply that this is all very true, but the whole thing has to be seen together and the key in it is the money; your figure is 6.3/6.4 per cent and you are sure that he will be able to put together a presentation of a structure built around this number which he will find saleable.

6. On this scenario there may be no need to go as far as the 6.5 per cent which you mentioned yesterday. But I have to say that it could just do the trick if you did indicate that you were prepared to contemplate a marginal movement from the 6.3/6.4 per cent to 6.5 per cent; we could do a bit of good with the small additional sum, and it would certainly

salve Mr Christopher's pride if he did not go away totally empty handed.

7. As a final argument he is likely to say that the difference between us is 1 per cent or less (perhaps £2-3 million,) certainly not more than £5 million in 1988-89. He may contrast this with the additional sums which have been made available to the Revenue in this financial year for overtime. The line to take on this is first the total cost of the deal not just whatever margin may remain in negotiation and the point that he benefits quite outside the deal from the additions to money levels which have been agreed for the Revenue next year. Overall you cannot go further.



E P KEMP

SUMMARY OF PROVISIONAL AGREEMENT

1. Main Agreement

In principle the main agreement is the same as the Agreement reached with the IPCS and incorporates the same features as follows:

- (i) the spinal system, clause 6(i)
- (ii) pay spans, clause 6(ii)
- (iii) Pay ranges, clause 11.
- (iv) Performance pay, clauses 13 and 14.
- (v) Pay flexibility including by skill and location, clause 15.

There are some new features. The first is, the double spine, which is simply a dressed-up way of using half + points, and provides greater flexibility.

Section IX on Organisation and Management arrangements is also new and is divided into two parts, Clauses 26 and 27. The first part, is essentially along the lines of deal with the Society of Civil and Public Servants (SCPS) and signs up the IRSF to continuing to approach changes in a positive and constructive way, (26(iii)) while 26 (vi) recognises that circumstances may arise which require the use of direct recruitment and consultants.

Clause 27 covers the IRSF's agreement to the implementation of the Matthews Report and the TOHG report (the 'H' Review) which gives the Revenue savings of £5-6m in a full year, possibly more.

Also written into the Agreement is the overtime deal, 27(v) and some consultative arrangements between the Revenue and the IRSF on budgetting, the final details of which are still being sorted out.

Annexes A to D

2. The above annexes are the nuts and bolts of implementation of the Agreement, and will show the pay scales and assimilation arrangements (Annexes B to D to come).

Annex E

3. Annex E is familiar and describes the Megaw apparatus for future pay

negotiations; it is virtually identical to the IPCS version. In particular the Government override wording, Clause 19, is exactly the same as that agreed by Treasury Ministers for the IPCS.

Annex F

4. Annex F comprises the advanced text of the overtime agreement.

Memorandum

5. The memorandum partly sets out the agreed interpretation of various clauses in the main Agreement and its annexes and partly sets out areas where there are issues flagged up for discussion in the context of a ratified Agreement. The most controversial points are being set out in the covering submission.



PM
1st
Pmt'g.

Ch.

What does this
say?
PM's Questions

Content with this briefing note on
the IRSF pay deal?

25

OK

14/1/88.

Line to take

A very important development affecting 60,000 staff in the Inland Revenue. If accepted on ballot, will mean a stable basis for settling pay in the long-term; flexibility, including performance-related pay; and significant changes on the management and organisation front, for example some regrading of work and a long-term overtime agreement.

If pressed on cost - in particular 19% increases

Some Revenue Assistants will receive about 19% over a two-year period, but in return for taking on work currently done at a higher level. They will have extra training and will be given certificates on completing it. Otherwise, percentage increases vary, depending on where the person happens to be on the scales, which are at present rather higgledy-piggledy. Overall cost within Inland Revenue running costs.

BACKGROUND NOTE

The Provisional Agreement between the Treasury, Inland Revenue and Inland Revenue Staff Federation has been endorsed (by 25 votes to 2) by the IRSF Executive Committee. Members will vote on whether to accept the deal during January. If not ratified by the end of January the Provisional Agreement lapses.

There is a family likeness between this and the IPCS Agreement, especially on the long-term arrangements. But there are also important differences, as each Agreement is tailored to the group of staff involved.

In particular, direct comparisons of the cost are difficult because each deal is so complicated. The 1988/89 cost of the IRSF Agreement will be 6½% of the IRSF paybill before taking account of the savings from regrading work (1¼% of the annual paybill when fully implemented).

The Treasury are ready to discuss similar agreements with other civil service unions, and are already having talks with some of them.

pyz

FROM: MRS M J HARROP
DATE: 14 January 1988

MR FLITTON

cc PS/Chancellor *12/2*
PS/Chief Secretary
PS/Paymaster General
PS/Financial Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Mr Kelly
Mr Chivers
Mr Gilhooly *Min Sinclair*
Mr Truman
Mr Graham
Mr Crawley - IR

IRSF PROVISIONAL AGREEMENT

You should know that the provisional agreement is being considered by the IRSF Pay Conference today. It is likely that they will reject the agreement, possibly by a large majority. This has always been expected, as many of the delegates are militants.

The important stage is not this conference, but the ballot of the whole membership which will start on Tuesday. We should have a fair idea of the results by Friday, and the full figures early the following week. If the membership approves, the final agreement will be signed by the end of January. (The provisional agreement says that the proposals will lapse unless ratified by the end of January.) We cannot guess at the ballot results: the IRSF Secretariat are nervous, but are of course hearing mainly from the opponents at present, and were earlier fairly confident.

If you receive any queries you should reply in a low key, saying that this conference is one stage in the process of consulting

the IRSF membership and that the ballot next week will be the real test. We shall give you supplementary briefing if there are any unexpected developments at the Conference.

MJA.

(MRS M J HARROP)

phyp

FROM: MRS M J HARROP

DATE: 26 January 1988

1. MR KELLY *22.1.*
2. CHANCELLOR

cc PS/Chief Secretary
 PS/Paymaster General
 PS/Financial Secretary
 Sir P Middleton
 Mr Anson
 Dame Anne Mueller
 Mr Kemp
 Mr Culpin
 Mr Luce
 Mr Chivers
 Mr Gilhooly o/r
 Miss Sinclair
 Mr Truman
 Mr Graham
 Mrs Luckin

Ch/
content?

OK -
AA/PSR mt
to 10.15

mpw

27/1

Mr Battishill (Inland Revenue)		
Mr Rogers	"	"
Mr P Jones	"	"
Mr Ward	"	"

IRSF AGREEMENT

As Mr Gilhooly reported in his minute of 22 January, the IRSF membership voted to accept the Provisional Agreement by a majority of 58 per cent to 42 per cent. With a turnout of 88 per cent, this means that an absolute majority of all IRSF members voted in favour. The IRSF secretariat now have authority from their members to sign the agreement.

The final agreement must be signed by the IRSF, the Treasury and the Inland Revenue by the end of this month, when the Provisional Agreement lapses. Arrangements are in hand to have the signing ceremony in the Treasury at 4.30pm on Friday 29 January. The

signatories would be Dame Anne Mueller for the Treasury; Mr Rogers for the Inland Revenue; and Mr Christopher for the IRSF.

We should be grateful for your authority to proceed on this basis.

MJH.

M J HARROP

FROM: P J CROPPER
DATE: 27 January 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Mr Anson
Mr Kemp
Mr Gilmore
Miss Sinclair
Mr White
Mr Caulfield
Mrs Wiseman
Mr Tyrie
Mr Call
Mr Corlett IR
PS/IR

HOME OFFICE SEMINAR: 25 JANUARY

Herewith some notes of the Home Secretary's seminar on charity law and regulation. Briefly:

1. The charity world was dead against any attempt to revise the definition of charitable purposes by legislation, dead against any breaking of the linkage between charitable status and tax relief, but not dead against measures to inject some measure of efficiency into the use of the resources of the charities.
2. They looked to the Charity Commission to try and deal with woolliness in the administration of charities, and some of them were prepared to envisage a strengthening of the powers of the Commission to wind up defunct charities.
3. The Inland Revenue was seen as having a role in curbing abuse, but only within the existing law and regulations.

4. No-body really spoke up for the taxpayer, except the Home Secretary's special adviser, who was promptly slapped down by Mrs Sara Morrison. "There is no connection between tax relief for charities and exchequer subventions to charities", she said.
5. There was no serious examination of the fact that charitable status is really quite easy to achieve, and that perpetual tax relief is a direct and automatic consequence of achieving charitable status.
6. In short the Home Secretary was given backing for his intention to legislate on Woodfield (plus or minus) in 1989-90, but no encouragement at all to meddle in the broader issues of charitable definition.

Given the interests of the people invited to the seminar, it was hardly likely that there would be much pressure to change the "1603" approach. To my mind the automatic link between charitable status and tax relief is not beyond question, but I do not think it ought to be opened up in the context of legislating for Woodfield in 1989-90.



P J CROPPER

HOME OFFICE CHARITY SEMINAR 25 JANUARY 1988

List of participants attached, together with agenda. Four days prior to the conference the Home Secretary had said in a Press Release that the Government would hope to put forward proposals for legislation on certain of the Woodfield Committee's proposals "later in the life of this Parliament". During the seminar Mr Hurd said he hoped that this would be possible in the Parliamentary session 1989-90.

1. Scope of Charitable Status. Denis Peach did not believe it was possible to codify the case law on charitable status. Andrew Phillips (Solicitor) was horrified by the idea of redefining charity in law: far better that more cases should be brought before the Courts so that the law could be developed. That meant more resources. Lord Allen of Abbeydale wondered whether there could be a suitors fund: this sort of case currently took five years to pass through the Courts and cost £10-£20,000 or more. Nicholas Hinton (Save the Children) was against trying to legislate. Sir Philip Woodfield warned that there were a lot of people "out there" who had a strong urge to outlaw particular charitable objects - e.g. certain religious sects, certain sorts of education. These people were to be found particularly in the House of Lords. Myles Glover (Skinners Company and the Independent Schools Association) believed that the only body that should be capable of disallowing a particular sort of charity was Parliament itself - not the judges. Mr Hurd concluded this part of the discussion by saying that he judged the mood of the seminar to be solidly against legislation to re-define the scope of charitable status.

2. Acquisition of Charitable Status. This part of the discussion turned out to be more about supervision of charities and the possibility of de-authorising a charity than about the conditions for acquisition of charitable status. Peter Minpriss (Solicitor) mentioned the distinction in America

between Public and Private Foundations. Sir Philip Woodfield would relate the degree of supervision to size. Fergus Falk noted that Charities accounts did not have to be audited, and thought that more could be done to wind up dead charities. Andrew Phillips doubted the need for a bureaucratic structure, but felt that there had been a pathetic lack of enforcement of the rules for too long. He felt there was a fundamental difference between an inefficiently run charity and one that was run crookedly. "I would rather have a woolly charity rather than none at all". There was a fundamental conflict between effectiveness and efficiency. Frank Judd (Oxfam) pointed out that it was for the donors and the trustees to ensure that charities were using their resources properly. Edward Bickham (Special Adviser, Home Office) wondered whether this doctrine took adequate account of the sizeable injection of public money into charities through the tax relief subsidy. Wilfred Hyde (Home Office) said that the Home Office worried a great deal about woolly management when it was spending public money on grants to voluntary organisations, but was far less concerned about the way charities used the proceeds of tax relief. Sara Morrison slapped Edward Bickham down sharply, saying that there was no similarity between Government paying out money in the form of grants and Government foregoing money in the form of tax reliefs.

3. Abuse of Charitable Status. Denis Peach spoke enthusiastically about the interchange of information between the Inland Revenue and the Charity Commission under the 1986 Finance Act. Clive Corlett (Inland Revenue) reported that the Revenue were channelling cases to the Charity Commission at the speed the latter could take them on. So far, 51 cases had been referred. Harry Kidd pounced on this, saying that words and legislation were all fine, but if the Charity Commission did not have the resources to pursue abuse then we were no further forward. The Home Secretary said there was no argument about this, and implied that more resources would be forthcoming. Clive Corlett described how penalties could be levied on Trustees found guilty of abuse; others suggested that, in order that a public example

should be made, a few Court cases would be preferable, with attendant publicity. Andrew Phillips reported a growing trend for well advised taxpayers to exploit the luscious fiddles available in the charity system, particularly since the closure of other profitable rackets. On the other hand Nicholas Hinton (Save The Children) warned against getting too worked up about this. We must not throw the baby out with the bathwater. Clive Corlett agreed that some very sophisticated minds had been applied to tax avoidance through the medium of charities, but pointed out that cases would generally have to be taken by the Commission, with help from the Attorney General. Jonathan Farquharson (Charity Commissioner) said that fund raising fiddles were equally as worrying as tax fiddles.

Additional Points

1. Would there be a White Paper ahead of the 1989-90 legislation? The Home Secretary would think about it. Meanwhile there was a House of Lords debate later in the week.

2. Europe. People in this country had some knowledge of the way America regulated and supervised its charities, but very little knowledge about how things were done in Europe. It would be sensible to learn from European experience. Michael Brophy reported the existence of the Hague Club, a grouping of 30 large foundations, including three British.

3. Promotion of the Payroll Giving Scheme. Anxiety was expressed from a number of quarters, over lunch, about the very slow take up of the payroll giving scheme at subscriber level. [This will be further discussed at a CAF meeting this Friday. I will report - PJC].



P J C

27/1/88

Rt Hon Douglas Hurd, CBE, MP

Rt Hon Lord Ferrers

Rt Hon Peter Brooke, MP

Mr Edward Bickham

Mr David Lidington

Mr Peter Cropper

Special Adviser to the Home Secretary

Special Adviser to the Home Secretary

Special Adviser to the
Chancellor of the Exchequer

Lord Allen of Abbeydale, GCB

Mr Michael Brophy

Mrs Gillian Davies

Baroness Faithfull, OBE

Mr Fergus Falk

Secretary, Council for Charitable Support
Charitable Trusts Administrators Group

Chairman, Accounting Standards Committee
Working Party on Charity Accounts

Mr Jonathan Farquharson

Mr David Forrest

Sir Reay Geddes, KBE

Mr Myles Glover

Charity Commissioner

Secretary, Charity Commission

Chairman, Charities Aid Foundation

Clerk to the Skinners' Company and the
Governors of Independent Schools Association

Mr Robin Guthrie

Mr Nicholas Hinton, CBE

Mr Frank Judd

Mr Harry Kidd

Sir Douglas Lovelock, KCB

Mr Peter Mimpriss

Hon Mrs Sara Morrison

Mr Denis Peach, CB

Mr Andrew Phillips

Ms Usha Prashar

Chief Charity Commissioner (designate)

Save the Children Fund

Oxfam

Legislation Monitoring Service for Charities

First Church Estates Commissioner

Messrs Allen and Overy

General Electric plc

Chief Charity Commissioner

Messrs Bates, Wells and Braithwaite

Director, National Council for
Voluntary Organisations

Sir Philip Woodfield, KCB, CBE

Mrs Diane Yeo

former Director, Institute of
Charity Fund-raising Managers

Home Office:

Mr Wilfred Hyde
Mr Richard Fries
Mr Andrew Crook
Mr Colin Miller

Mrs Bronwen Fair
Mr Hugh Marriage
Mr Christopher Lake

Inland Revenue:

Scottish Home and Health Dept:
HM Treasury:

Mr Clive Corlett
Mr Peter Russell
Mrs Libby Wiseman

HOME SECRETARY'S SEMINAR ON CHARITIES: 25 JANUARY 1988

AGENDA

1. Introduction by the Home Secretary, the Rt Hon Douglas Hurd, CBE, MP
2. Opening remarks by the Minister of State for the Home Department,
The Rt Hon The Earl Ferrers and the Chief Charity Commissioner,
Mr Denis Peach, CB
3. Scope of charitable status
4. Acquisition of charitable status
5. Benefits of charitable status
6. Abuse of charitable status
7. Any other matters

A buffet lunch will be served in the Home Secretary's Conference Room.
This is Room 749 on the floor below: the stairs are close by the lifts.

*amp*

FROM: MOIRA WALLACE

DATE: 28 January 1988

MRS M J HARROP

cc PS/Chief Secretary
PS/Paymaster General
PS/Financial Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Mr Culpin
Mr Kelly
Mr Luce
Mr Chivers
Mr Gilhooly
Miss Sinclair
Mr Truman
Mr Graham
Mrs Luckin
Mr Battishill - IR
Mr Rogers - IR
Mr P Jones - IR
Mr Ward - IR

IRSF AGREEMENT

The Chancellor has seen your minute of 26 January. He is content for the signing ceremony to proceed as you describe. This office will inform No.10.

mpw.

MOIRA WALLACE

mnp

FROM: A A NICHOLS

DATE: 8 February 1988

1. MR GILHOOLY
2. PAYMASTER GENERAL

cc PS/Chancellor
PS/Sir Peter Middleton
Dame A Mueller
Mr Kelly
Mr Chivers
Mr Truman
Mr G Jordan
Mr R I G Allen
Mr Graham
Mr Morgan - OMCS

CIVIL SERVICE PERFORMANCE BONUS EXPERIMENT

This submission advises you on the position on the performance bonus experiment and puts forward proposals for handling a report from Hay Management Consultants Ltd on its operation. Previous reports were submitted to the Minister of State (PCO) and subsequently to the Prime Minister.

Background

2. The bonus scheme introduced the concept of performance pay into the Civil Service in 1985. It is a 3 year experiment covering Grades 3-7 under which up to 1 in 5 staff can earn a bonus for particularly good performance. It costs £4 million per annum.

3. In the absence of reliable information about the real effects of such performance pay schemes, arrangements were made for the experiment to be closely monitored and Hay Management Consultants were engaged to evaluate it. They have produced annual reports on its operation and their report on its second year is attached for reference. (to PM & only)

4. The scheme has not been generally well-received. The unions concerned (FDA, SCPS and IPCS) opposed it from the outset and surveys of staff attitudes to date (part of the evaluation exercise) indicate that the majority still dislike it. While the experiment will run its full 3 years, ending on 31 March this year, it has already been partly overtaken by the new

Grades 2-3 and interim Grades 4-7 schemes which have replaced it for staff on the maximum of their scales for more than one year. In view of this and the unlikelihood of further useful information emerging from the evaluation, the contract with Hay has been terminated. Having produced their report, they are now completing their feedback meetings with departmental managements.

The Hay Report

5. The report on the operation of the experiment in its second year tends to confirm that the payment of lump sum bonuses to staff at these levels is not the right approach. Flaws in the design of the scheme and its management have become apparent and these would increasingly undermine its effectiveness in encouraging improvements in performance among the majority of staff. The major difficulties are:

i. that the scheme is not seen as part of an overall management approach because it is not directly linked to other management systems like the planning and staff appraisal processes;

ii. the way in which the arbitrary quota (20%) is used leaves people unclear about exactly what is expected of them to earn an award; and

iii. the scheme has not been sufficiently supported by top level commitment and good line management communication about its aims and criteria.

6. At the same time, the report does contain some encouraging facts to support the belief that the new performance pay schemes, which have been developed in the light of experience with the bonus experiment, should stand a better chance of success. Main points of interest in the report are:

- in the second year (1986-87) annual bonuses averaging £948 before tax went to 15% of staff in the scheme. More use than hitherto was made of special bonuses (for ad hoc achievements) which averaged £490 before tax.

- most bonuses went to staff with Box 1 or Box 2 markings in their annual report, but over half those with Box 1 and three-quarters with Box 2 did not get a bonus.
- there is no evidence that the scheme has made an impact on improving performance or a direct contribution to improving management practices.
- the scheme has created a more receptive climate for the new performance pay arrangements and provided valuable practical experience in running them.
- although 63% of respondents to the attitude survey do not like the bonus scheme, 74% are in favour of linking pay to performance.
- 80% think outstanding performers should be paid more than others, while 71% feel that unsatisfactory performers should not expect to receive the same pay increases as others.

Conclusion

7. It normally takes a number of years for attitudes and the "culture" in a large organisation to adapt to the introduction of performance related pay. On the "not proven" verdict recorded on the scheme after its first year of operation, its immediate withdrawal would not only have been premature but would have undermined the development of performance pay in the Civil Service.

8. The report on the second year reinforces the belief that the change in our approach to performance pay is both timely and right. Many useful lessons have been learned from the experiment, albeit at some cost. Some positive and heartening evidence has emerged from the evaluation but it would nevertheless seem sensible to handle the report in a low key way.

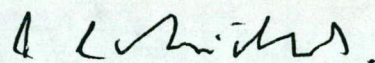
9. The report on its first year of operation was discussed with Sir Robin Ibbs and Sir Robert Armstrong and sent to the Prime Minister by the Minister of State (PCO) with a further report by officials. Although no public announcement was made, copies were also placed in the libraries of both Houses and sent to the Treasury and Civil Service Select Committee. The report was also released to the unions.

10. The bonus experiment has already been largely overtaken by the new schemes and will come to a natural end in a few months when the third and last round of awards has been completed. There are therefore no policy issues arising now which would justify another report to the Prime Minister, neither would it seem worthwhile involving Sir Robin Butler or Sir Robin Ibbs on this occasion. It would also seem unlikely that there is anything here now of sufficient substance for the Treasury and Civil Service Select Committee.

11. The unions, however, will expect to see the report. They received the report on the first year of the scheme but they will probably regard its findings as academic now and are unlikely to make a fuss about them. Departments have received the report on a "management-in-confidence" basis, and once Hay have completed their feedback meetings with several departmental managements the unions will wish to discuss the results of their local schemes with them.

12. It is therefore recommended that:-

- copies of the report be sent to the libraries of both Houses, but with no public announcement;
- there should be no unnecessary wider publicity about the report (though some journalists will be interested);
- the report should thereafter be sent to the unions.



A A NICHOLS

C O N F I D E N T I A L

FROM: C W KELLY

DATE: 16 February 1988

PAYMASTER GENERAL

cc: Chancellor
Chief Secretary
Sir P Middleton
Mr Anson
Dame Anne Mueller
Mr Kemp
Mr Luce
Mr Chivers
Mr Gilhooly o/r
Mr Truman
Mr Bell
Mr Graham
Mr Cropper
Mr Flitton

LOCAL PAY ADDITIONS

The Council of Civil Service Unions failed at their meeting this morning to take a decision about whether they are prepared to sign up to an agreement on local pay additions (LPAs).

2. The issue is to be remitted to individual executive committees for meetings which they are individually holding next week before coming back for a final decision at a further CCSU meeting on 1 March. It is to go to ECs with a minute to the effect that the CCSU policy committee "recognised that the improved offer represents the best that can be obtained in the circumstances, and in referring the matter to ECs for decision trust that this assessment by the negotiating team will be fully considered."

3. This stops well short of formal endorsement. But it is more positive than might at one time have been expected.

4. Of the individual unions:

i. The NUCPS, who will be the key, have an EC meeting on 24/25 February. Leslie Christie has told his executive that in his view it would be wise to sign the agreement, and that

C O N F I D E N T I A L

will carry some weight. But he is far from fully committed and there is considerable opposition within the union to the hold idea.

ii. The CPSA have an executive meeting on 26 February, thought to be timed deliberately for the day after the NUCPS meeting so that they can see which way they have jumped. John Ellis has apparently recommended acceptance. But it is most unlikely that this will carry his EC, who have already passed a motion opposing it which they have passed to the NUCPS.

iii. The IPCS have an EC on 25 February. Bill McCall is recommending acceptance. But he wants to make this conditional upon an exchange of letters, the terms of which will be agreed in advance. I am trying to clarify what he has in mind.

iv. The IRSF want to agree, and already believe themselves to have authority to do so.

v. The FDA are "disappointed" because it is unlikely to benefit their members much, if at all. John Ward is sitting on the fence. But he is going to "consult" some of his members and apparently did grudgingly say in the CCSU meeting that he thought that it was just about better to have an agreement than not.

5. This further delay is unwelcome. It probably decreases the chance of getting agreement, since it gives longer for its opponents to get organised. We will continue to work discreetly on Mr Christie. But I suspect the odds are now moving against us.

CWK

C W KELLY