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PREM 19/692

PART _____ / _____ ends:-

JU to MCS 25/2/82

PART _____ 2 _____ begins:-

Ch/Ex to PM 11/3/82

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons Hansard, 29 April 1980,
columns 414-415 ("Written Answers: Armed
Forces (Pay)") and 1174-1192 ("Defence
Estimate 1980")

Signed Wayland Date 14 August 2012

PREM Records Team

CONFIDENTIAL

Defence

MR. SCHOLAR

c.c. Mr. Hoskyns

London Weighting for the Armed Forces

Mr. Nott has now come back to the Prime Minister, saying that he cannot find items to offset against the proposed increases, and proposes therefore to implement the AFPRB recommendation in full.

I think that when the Prime Minister said she was reluctant to overturn the AFPRB with this small point, she was hopeful that some way round it could be found. Since there is no way round it, I must repeat my earlier recommendation that we tell the AFPRB that we think the Armed Forces London Weighting should be held to 7%. It will be seen as extraordinary if we now accept recommendations which would have the effect of making increases between 10.5% and 17.5%.

Mr. Nott's offer to absorb the extra cost within the MOD cash limit is of course pretty meaningless. The amounts are trivial compared with the uncertainties of the Defence Budget; and the point will not register at all with the other groups - notably the civil servants, on which we must keep an eye.

I do understand the concern of both the Prime Minister and Mr. Nott that we should not blemish our record vis-a-vis the AFPRB; but I can only repeat that, as the Prime Minister knows, our commitment to the AFPRB is already under review with a view to encouraging them to become more market-oriented and less comparability-based. Holding the London Weighting to 7% would be a useful first indication that the Armed Forces cannot for ever be treated preferentially.

25 February, 1982.

CONFIDENTIAL



Prime Minister

J.V. (1)

I am not prepared to break the AFPRB for this small sum. I agree with [unclear] [unclear]

PRIME MINISTER

Since Mr Nott cannot find offsets as you suggested, the Chancellor thinks we should overturn AFPRB and stick at 7%. See also John Vereker's note and his point

LONDON WEIGHTING FOR THE ARMED FORCES at (Aug A about teachers.

I have seen your Private Secretary's letter of 16th February giving your views on London Weighting for the Armed Forces - and we talked about this matter the other day.

Do you agree with Mr Nott or the Chancellor?

2. As you know, I share your concern that an AFPRB recommendation should not be overturned for this relatively small amount of money. Nevertheless, I recognise the presentational difficulties which this poses in respect of other groups in the public sector whose London Pay for 1981/82 has yet to be settled. Following our talk I have therefore looked again to see if we could make a minor variation of the recommendations and my officials have discussed with the Treasury your suggestion that some offsets may be found on the lines already agreed for the Police. Unfortunately, there are no extra allowances for the Armed Forces in London, as there were for the Police, which could be used for this purpose. Nor is it possible, without breaching the terms of the AFPRB proposals, to redistribute London Weighting amongst the four categories of recipients in such a way as to produce lower figures for the top end of the award.

3. The choice therefore is whether to restrict the award to the Armed Forces in an arbitrary way, which would certainly blemish our record in this area, or to implement the AFPRB's recommendations in full. Having convinced myself that we cannot act along the lines proposed for the Police I believe we have to accept the latter, and I have already agreed with the Chancellor that, if this is the decision, I will absorb the cost within the MOD cash limit. There would of course be no public announcement.



/ 4. A draft reply to Sir Harold Atcherley is attached which assumes your agreement to his recommendation.

5. I am copying this to Geoffrey Howe, Norman Tebbit, Willie Whitelaw, and Sir Robert Armstrong.

SW

Ministry of Defence

24th February 1982

conqueror

GR please type
DRAFT LETTER FROM THE PRIME MINISTER TO SIR HAROLD ATCHERLEY

I am sorry that I have not been able to reply before to your letter of 23 November 1981 in which you recommended increases in London Weighting for members of the Armed Forces effective from 1 April 1981.

The Government has now considered the Review Body's recommendations and agrees that the proposed new rates of London Weighting should be introduced.

It will not be necessary for any special announcement to be made and the Ministry of Defence is taking action to implement the new rates.

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25 FEB 1962



✓ 34

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

19 February 1982

D B Omand Esq.
Private Secretary
Ministry of Defence

Dear David,

Nick Evans wrote to me on 16 February about the economic evidence which you propose to put to the Armed Forces Pay Review Body.

The Chancellor is entirely content with the evidence, which he thought admirable. He has noted how it will be submitted.

Copies of this letter go to Michael Scholar at No. 10 and David Wright in the Cabinet Office.

Yours ever,
J.O. Kerr

J.O. KERR
Principal Private Secretary



19 FEB 1982



Defence RM

B/c J. Vevokor

10 DOWNING STREET

From the Private Secretary

16 February, 1982

London Weighting for the Armed Forces

The Prime Minister has seen the correspondence between the Treasury and the Ministry of Defence about the Armed Forces Pay Review Body's recommendations on increases in London Weighting for the Armed Forces.

The Prime Minister is reluctant to overturn the AFPRB on a small point such as this in view of the Government's unblemished record so far with the AFPRB. The Prime Minister hopes that your Secretary of State will be able to respond on the lines of the arrangements agreed for the police - i.e. so that some items are offset against the proposed increase so that the increases of between 10.7% and 17.5% would come down nearer to the 10.7% mark.

I would be grateful if you could agree with the Treasury a draft reply to Sir Harold Atcherley on the lines proposed by the Prime Minister.

I am sending a copy of this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment), Andrew Jackson (Home Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

N H R Evans, Esq
Ministry of Defence

CONFIDENTIAL

RM

CONFIDENTIAL

cc Mr. Hoskyns

(1)

MR. SCHOLAR

Prime Minister

Agree that I write as at X?

MCS 12/2

London Weighting for the Armed Forces

You will see that, as predicted, the Chancellor's office have now written to Mr. Nott's office indicating that the Chancellor is not convinced by the MOD case for full implementation of the AFPRB recommendations on London Weighting. I think the time has therefore come for the Prime Minister to intervene in what has now been a rather long running dispute. You will recall that Mr. Nott's Private Secretary indicated in his letter of 29 January that Mr. Nott would be quite happy for the issue to go to the Prime Minister for a ruling.

As I said in my first note on this issue, on Christmas Eve, my sympathies lie with the Chancellor. At a time when we are reviewing our commitment to armed forces comparability, it would be wrong to continue to extend preferential treatment to the armed forces on London Weighting. If the Prime Minister agrees, therefore, I think you should write to Mr. Nott's office saying that she shares the Chancellor's view that the increase should be limited to 7%.

J.V.

John Vereker

I am reluctant to overrule the AFPRB

On a small point such as this where we have an unblemished record so far. Can Mr Nott do a number deal to the Police - i.e. offer some ideas of what the proposal is that the 17.5% comes nearer to the 10.7% net

9 February 1982

CONFIDENTIAL



f. S.V.
AD

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

8 February 1982

N.H.R. Evans, Esq.,
Private Secretary to the Secretary
of State for Defence
Ministry of Defence

Dear Nick,

LONDON WEIGHTING FOR THE ARMED FORCES

Thank you for your letter of 29 January.

The Chancellor has carefully considered the views of your Secretary of State, and fully recognises that there is an argument for implementing in full the AFPRB's recommendations on London Weighting. But he still feels that the arguments the other way are rather stronger.

In particular, the argument of consistency with the treatment of other pay groups does not in fact point to implementation in full, even if one takes account of the settlement with the police. The Chancellor has asked me to explain that certain concessions made by the police Staff Side produced an end result of much less than 11.7 per cent (£69) in actual cash for policemen. Part of the agreement was that a £50 "excess" to London Weighting, which was introduced in 1975, should be phased out over two years, with the first £18 being taken into account immediately. Secondly, the police receive a "London Allowance" which is an undermanning allowance and is normally increased in line with pay. It was agreed there would be no increase in this allowance in 1982. The savings from this, even based on a 4 per cent pay increase, will offset more than half the London Weighting increase.

Against this background, and the 7 per cent increase for the Civil Service, your Secretary of State's proposal still strikes the Chancellor as too generous. Although the costs would be absorbed within the Defence cash limit, there would be unqualified increases of between 10.7 and 17.5 per cent for the servicemen concerned. The Chancellor would still prefer that the Prime Minister should be advised to limit the increases to 7 per cent.

/Incidentally,



Incidentally, the Chancellor is not sure that it is entirely fair to suggest that "a spell in London is outside the normal and expected run of a military career". Those with barracks in London (e.g. the Household Brigade) must presumably expect to serve here from time to time. And would most officers not recognise that a staff post in London at some stage is a normal part of a successful career?

The Chancellor is sorry to be unable to accept your Secretary of State's proposal; but he does attach considerable importance to holding down personnel, and other current, costs.

Copies of this letter go to the other recipients of yours.

Yours ever,
J. O. Kerr.

J. O. KERR

58 FEB 1982



CONFIDENTIAL

SC IV



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXX~~ 218 2111/3

MO 4/4

29th January 1982

Dear Tom,

LONDON WEIGHTING FOR THE ARMED FORCES

My Secretary of State has seen your letter of the 21st December. He takes the Chancellor's point that a consistent line on London Weighting is desirable. But he does not agree that this necessarily implies that the 1981 increase for the Armed Forces should be in line with the 7% for Civil Servants. He notes that an exception has been made for the Police because of the Government's special commitments to them, and he believes that the same should be done for the Armed Forces. He would also make the point that, unlike the bulk of Civil Servants and Policemen working in London, who join in the knowledge that they will be based in the capital, a spell here is outside the normal and expected run of a military career.

My Secretary of State is aware that offsetting savings were agreed as part of the settlement of the Police London Weighting claim. He has himself made a significant concession in agreeing to absorb the extra costs of the full AFPRB London Weighting recommendations within the revised MOD cash limit. In view of this he sees no justification for overriding - for the first time - the recommendations of the AFPRB, especially in a pay year in which the Government has already accepted the Review Body's major recommendations on all other forms of Forces pay.

My Secretary of State would be quite happy for this to go to the Prime Minister for a ruling but he feels that, before this is done, he should ask the Chancellor to consider again the basis of his earlier response.

Copies of this letter go to the recipients of yours.

Yours sincerely
Nick Evans

(N H R EVANS)

J O Kerr Esq

CONFIDENTIAL

1 FEB 1982



CONFIDENTIAL

MCS to see o/r
(MOD advice still
awaited.) MAF

MR. PATTISON

c.c. Mr. Scholar (or)
Mr. Hoskyns

London Weighting for the Armed Forces

It looks from the letter of 21 December from the Chancellor's
Private Secretary to Mr. Nott's Private Secretary as if the
Prime Minister will have to arbitrate between them on the
question of the AFPRB's recommendation on London Weighting.
If Mr. Nott concedes, well and good; if not, my own view
is that the Prime Minister should support the Chancellor, thus
providing MOD with the first taste of the fact that the
armed forces can no longer expect preferential treatment. At a
time when, as Mr. Nott knows, and has agreed, ^{that} our commitment
to armed forces comparability is being reviewed, it would not
be a bad thing to fire a shot across their bows.

Jr.

24 December, 1981.

CONFIDENTIAL



cc TV

annul MOD's response

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

21 December 1981

D.B. Omand, Esq.,
Private Secretary,
Ministry of Defence

Dear David,

LONDON WEIGHTING FOR THE ARMED FORCES

The Chancellor has seen Sir Harold Atcherley's letter of 23 November to the Prime Minister, Michael Scholar's of 26 November to me, and Nick Evans' of 3 December. *— will request 8- required*

He has noted that the Armed Forces Pay Review Body recommendations would, on the basis of the Pay Board formula of 1974, produce increases in London Weighting ranging from 10.7 per cent to 17.5 per cent. Such increases would be considerably in excess of those awarded or negotiated in other parts of the public sector which have previously followed the Pay Board formula; civil servants have had a 7 per cent increase imposed, and the Chancellor is writing separately in response to the Home Secretary's letter of 14 December about the police.

The Chancellor understands that the Review Body took the view that members of the armed forces are different, because they are obliged to live and work in London, and should not be put at a financial disadvantage relative to their service colleagues elsewhere. He does not himself take this view: others, e.g. mobile civil servants working alongside the armed forces in the Ministry of Defence, are obliged to work in London; and the argument of financial disadvantage vis a vis counterparts outside London has not been accepted as overriding elsewhere in the public sector.

Moreover, the Chancellor, like Lady Young - her Private Secretary's letter of 21 September - believes that it would be very difficult to justify approving increases for the armed forces greater than those allowed to civilian counterparts on the grounds of the Government's commitment on armed forces pay. It was a commitment only to keep pay at levels comparable with those of such counterparts; and a commitment which has been more than honoured by the Government's acceptance in full of the Review Body's recommendations on basic pay.



Although the Chancellor recognises that your Secretary of State would be prepared to fund from within the revised Defence Cash Limits the full cost of the AFPRB recommendations, he thinks it right that the Government should maintain a consistent line on London Weighting, and that the Prime Minister should accordingly be advised to limit the increases for the armed forces to the 7 per cent imposed on the Civil Service.

Copies of this letter go to Michael Scholar at No.10, Richard Dykes at Employment, Andrew Jackson at the Home Office and David Wright at the Cabinet Office.

Yours ever,
J. O. Kerr.

J. O. KERR

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CONFIDENTIAL

Defence



MR. SCHOLAR

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

In his letter of 23 November to the Prime Minister, the Chairman of the AFPRB recommends implementation with effect from 1 April 1981 of revised rates of London Weighting for the Armed Forces.

The complication here is the relationship between the decision there has to be taken on Armed Forces London Weighting, to the outstanding decisions on London Weighting for the police, the teachers and local authority white collar workers, all of which may have to go to arbitration. The Ministry of Defence drew the attention of the AFPRB to this problem, but they have concluded it is more important to get pay of those members of the Armed Forces who live and work in London right.

I suggest that the Prime Minister need not be troubled with this issue until advice has been received from the MOD on implementation of the recommendation; and that you ask the MOD to consult the Secretaries of State for the Environment and for Education, as well as the Home Secretary and the Chancellor, before submitting advice to the Prime Minister.

MOD
HMT

27 November 1981

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

26 November 1981

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

I am writing on the Prime Minister's behalf to thank you for your letter of 23 November with its recommendations about the rates of London Weighting for members of HM Forces. I will place this before the Prime Minister at once.

M. C. SCHOLAR

Sir Harold Atcherley

OSG



JS
bc JV

10 DOWNING STREET

From the Private Secretary

26 November 1981

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

The Prime Minister has received the attached letter from the Chairman of the Review Body on Armed Forces Pay which recommends increases in the London Weighting for members of HM Forces.

We have acknowledged Sir Harold Atcherley's letter. I would be grateful for advice on what the Government's response should be to these recommendations.

I am sending copies of this letter to David Omand (Ministry of Defence) and David Wright (Cabinet Office).

cc Dio. Emy.
30/11/81

M. C. SCHOLAR

John Kerr, Esq.,
HM Treasury.

DSG

mc

*Civil Service
Page 7 L*

*cc Venku
Dyke
Defence*



Caxton House Tothill Street London SW1H 9NA

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GTN 213

Nick Evans Esq
Private Secretary to
Rt Hon John Nott MP
Secretary of State
Ministry of Defence
Whitehall
LONDON SW1

*R
M*

25 September 1981

Dear Nick,

LONDON WEIGHTING FOR THE ARMED FORCES

My Secretary of State has seen your letter of 14 September to Jim Buckley about London Weighting for the armed forces.

He agrees that we should implement whatever the Armed Forces Review Body recommends. He does not, however, think it necessary actively to encourage it to recommend a full updating on the basis of the London Weighting Indices. Other public service groups, the civil service, the N H S and, subject to a possible arbitration, the teachers, are being limited to around the level of their main settlements and this should be drawn to the Review Body's attention. He suggests, therefore, that Government evidence should refer both to the price compensation aspect of the indices and to movements in London Weighting elsewhere in the public service leaving the Review Body to reach its own conclusion.

Copies of this letter go to the recipients of yours.

Yours ever

Richard Dykes

R T B DYKES
Principal Private Secretary

12 5 SEP 1981



CONFIDENTIAL



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CC D. Emp
30/11/81

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

23 November 1981

Dear Prime Minister,

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

1. The Ministry of Defence has recently submitted to the Review Body evidence proposing an increase in London weighting for members of the armed forces with effect from 1 April 1981. It seems appropriate to make our recommendations on this matter, which affects only a small proportion of men and women in the Services (about 5 per cent at any one time), by letter rather than by way of a supplementary report.

2. The present arrangements for London weighting in the armed forces were introduced with effect from 1 April 1974, following recommendations made in the Second Supplement to our Third Report¹. They are based on the approach proposed in an Advisory Report by the Pay Board in that year², modified to take account of the specific circumstances of the armed forces. Accordingly, the elements in the Pay Board formula covering the additional costs of housing and travel to work in London are excluded. In general, these are not relevant to the armed forces because the Services provide accommodation in London at charges which are standardised throughout the country; and also reimburse some of the additional costs of travel to work. The basic rates of London weighting for members of the armed forces are derived, therefore, only from the remaining elements of the Pay Board formula, though higher rates are payable to those who are owner-occupiers and travel daily from their homes to work in London, thus incurring additional housing costs in the same way as owner-occupiers outside the Services.

3. On this basis, the following rates of London weighting are appropriate:

	Inner London £	Outer London £
Basic rate	518	296
Owner-occupier rate	788	409

¹Review Body on Armed Forces Pay, Second Supplement to Third Report 1974, Cmnd. 5853, January 1975.

²Pay Board Advisory Report 4, London Weighting, Cmnd. 5660, July 1974.

CONFIDENTIAL

CONFIDENTIAL



4. In their evidence to us, the Ministry of Defence drew attention to the fact that certain other public service employees have been offered increases in London weighting below the levels that might arise from a strict application of the Pay Board formula. It was suggested that we might wish to take account of this development in reaching our conclusions. We have given careful consideration to the point. It is our view, however, that those members of the armed forces who are obliged to live and work in London should not be put at a financial disadvantage relative to their Service colleagues elsewhere. Consequently, we recommend that the rates of London weighting set out above should be implemented with effect from 1 April 1981. We estimate that the additional annual costs arising from this recommendation are £830,000.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

CONFIDENTIAL



NOV 1937

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MANAGEMENT IN CONFIDENCE

Civil Service
at Dupied
Vereker
Watten



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~928 2022~~ 218 2111/3

MO 4/4

*Subject a link service:
Pay: Pt 7*

14th September 1981

Dear Jim,

*in Confidence: Pt 6
Pay + Pension*

14/9

In your letter of 25th June 1981 to Richard Dykes about London Weighting you said that the Lord President would wish his colleagues to take a strict line in applying London Weighting payments to public sector employees and thinks that any proposal to increase London Weighting by the full amount justified by the indicators should first be put to colleagues generally.

The Ministry of Defence has now prepared its evidence to the Armed Forces Pay Review Body on London Pay for the Armed Forces. This evidence, put forward on a similar basis each year, is based on the formula proposed by the Pay Board in 1974 (Cmd 5660) in which the relative indices in the year up to April (normally published in the Department of Employment Gazette in June) are updated for the AFPRB to consider. A copy is attached.

The Government has taken the view that the commitment to the Armed Forces must stand and my Secretary of State would be grateful for his colleagues' agreement to the evidence going forward. London Pay is clearly within the formal terms of reference of the Review Body, and is part of the process of determining pay in the Armed Forces, whose special nature has already been recognised by the Government. My Secretary of State is in no doubt that any underpayment of London Pay against the formula would be seen by the Armed Forces as inconsistent with the Government's commitment to meet the award of the AFPRB.

I am copying this letter to the private secretaries of members of 'E'.

Yours sincerely
Nick Evans

(N H R EVANS)

J Buckley Esq

MANAGEMENT IN CONFIDENCE

1981 PAY REVIEW - LONDON PAY

(Paper by the Ministry of Defence for the Armed Forces Pay Review Body)

1. As the Review Body will be aware, London Pay for the Armed Forces is based on the formula proposed by the Pay Board in their Report Cmd 5660. The current calculated annual rates together with the actual daily rates at present in issue are given below:

	<u>Inner London</u>		<u>Outer London</u>	
	<u>£pa</u>	<u>(£ daily)</u>	<u>£pa</u>	<u>(£ daily)</u>
Basic Rate	450.87	(1.24)	251.77	(0.69)
Owner Occupier Rate	710.49	(1.95)	365.86	(1.00)

2. The Department of Employment Gazette for June 1981, Volume 89, No 6, has now been published giving changes in the relevant indices up to April 1981 and calculations based on this information in the same form as presented on previous occasions are shown at Attach 1. Details of the numbers in receipt of London Pay together with the current and proposed costs are shown at Attach 2.

3. The MOD proposes that the Review Body should recommend the increase rates of London Pay shown at Attach 1 for implementation from 1 April 1981. The Civil Service Department and other Government Departments have been consulted in the preparation of this evidence.

UPRATING OF LONDON PAY - DETAILED CALCULATIONS

The Calculations shown below reflect the Guidance in Appendix VI of the Pay Board Report

Formula: 1974 Difference X $\frac{\text{Index}}{100}$ X Basic Rate of Tax $\frac{100}{70}$ (except wear and tear)

	<u>ALLOWANCE</u>			
	<u>Inner</u>		<u>Outer</u>	
	<u>£</u>		<u>£</u>	
(i) Other Costs 54 X $\frac{298.5}{100}$ X $\frac{100}{70}$	230.27		230.27	
(ii) Wear and Tear 105 X $\frac{275.4}{100}$	289.17			
24 X $\frac{275.4}{100}$			66.10	
	-----		-----	
	519.44		296.37	
	-----		-----	
(iii) Housing 95 X $\frac{196.9}{100}$ X $\frac{100}{70}$	267.22			
54 X $\frac{144.5}{100}$ X $\frac{100}{70}$			111.47	
	-----		-----	
Total of (i), (ii) and (iii)	786.66		407.84	
	=====		=====	
	£pa	(£ daily)	£pa	(£ daily)
Therefore new basic rate:	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate:	786.66	(2.16)	407.84	(1.12)

NUMBERS CURRENTLY IN RECEIPT OF LONDON PAY AND COSTS

	<u>INNER LONDON</u>		<u>OUTER LONDON</u>		<u>Totals</u>
	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	<u>Basic Rate</u>	<u>Owner Occupier Rate</u>	
<u>Numbers</u>					
RN	1,046	124	988	143	2,301
ARMY	3,474	622	3,581	222	7,899
RAF	794	621	3,291	380	5,086
	<u>5,314</u>	<u>1,367</u>	<u>7,860</u>	<u>745</u>	<u>15,286</u>
<u>Current Costs (£M)</u>					
RN	0.474	0.088	0.249	0.052	0.863
ARMY	1.572	0.443	0.902	0.081	2.998
RAF	0.360	0.440	0.829	0.139	1.768
	<u>2.406</u>	<u>0.971</u>	<u>1.980</u>	<u>0.272</u>	<u>5.629</u>
<u>Revised Costs (£M)</u>					
RN	0.542	0.098	0.292	0.058	0.990
ARMY	1.801	0.490	1.059	0.091	3.441
RAF	0.412	0.488	0.973	0.156	2.029
	<u>2.755</u>	<u>1.076</u>	<u>2.324</u>	<u>0.305</u>	<u>6.460</u>

Therefore Additional Cost: £6.460M - £5.629M = £0.831M



LPO
Defence
cc. MOD
DHSS

10 DOWNING STREET

THE PRIME MINISTER

27 August 1981

Richard Howard

Thank you for your letter of 7 August concerning the pay of Service Medical and Dental Officers.

The Government was, of course, pleased that the profession accepted our explanation of why we felt unable to implement in full this year's Doctors and Dentists Review Body (DDRB) Report. We very much appreciated the restraint shown by the profession. I do not think, however, that it is right to say that this restraint has resulted in your members in the Armed Forces being treated less favourably than their combatant counterparts. In the Government's view, by accepting the recommendations of the Review Body on Armed Forces pay it has stood by its commitment to maintain Armed Forces pay at levels comparable to those earned by their civilian equivalents. It is for the Review Body themselves, as an independent source of advice to judge what these comparable levels should actually be and the supplement to their Tenth Report explains in some detail why they consider that actual earnings, rather than those recommended by the DDRB should be used as the appropriate analogue for medical and dental officers' pay.

The BMA do, I understand, have the opportunity to submit their own evidence to the Review Body concerning medical and dental officers' pay and if you have reservations about the approach they have adopted in arriving at their latest recommendations it is open to you

/to take this

JS

to take this up with them directly in your submissions for the 1982 Pay Review. As far as the Government is concerned, however, it accepts the Review Body's judgement on this point.

Yours sincerely
Raymond Stelter

Dr. J. D. J. Havard, M.A., LL.B.



MO 4/4

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~536 7021~~ 218 2111/3

21st August 1981

Pl type for pm. background note. Include this as a note. 24/8

Dear Tim,

/ As requested in your letter of 11th August I attach a draft reply, approved by my Secretary of State, for the Prime Minister to send in response to the letter from the BMA concerning Medical and Dental Officers pay. The terms of the reply have been agreed with the DHSS. I understand that the Minister for Health has received a similar letter from the BMA to which he will be replying separately.

There is no substance to the BMA's complaint that there has been discrimination against their members in the Armed Forces. The choice of actual, rather than recommended, rates of General Medical Practitioner pay as the basis for calculating the pay of Medical and Dental officers is one for the AFPRB to make and is fully consistent with their previous reports. The Government would have no basis on which to advise them to take any alternative approach. Nor, as far as can be ascertained, is the BMA's letter the result of any formally expressed dissatisfaction within the Defence Medical Services over their latest pay award. Despite this however, it would be foolish to jeopardise the BMA's currently conciliatory attitude over the NHS settlement; the draft therefore suggests that if they wish to take the matter further they should raise it directly with the AFPRB in the course of the 1982 Pay Review.

A copy of this letter, and the draft, goes to Don Brereton (DHSS).

*Yours truly
Brian Norbury*
(B M NORBURY)

T P Lankester Esq

DRAFT REPLY FROM THE PRIME MINISTER TO THE SECRETARY, BMA

Defence

Thank you for your letter of 7th August concerning the pay of Service Medical and Dental Officers.

The Government was, of course, pleased that the profession accepted our explanation of why we felt unable to implement in full this year's Doctors and Dentists Review Body (DDRB) report. We very much appreciated the restraint shown by the profession. I do not think, however, that it is right to say that this restraint has resulted in your members in the Armed Forces being treated less favourably than their combatant counterparts. In the Government's view, by accepting the recommendations of the Review Body on Armed Forces pay it has stood by its commitment to maintain Armed Forces pay at levels comparable to those earned by their civilian equivalents. It is for the Review Body themselves, as an independent source of advice to judge what these comparable levels should actually be and the supplement to their Tenth Report explains in some detail why they consider that actual earnings, rather than those recommended by the DDRB should be used as the appropriate analogue for medical and dental officers pay.

The BMA do, I understand, have the opportunity to submit their own evidence to the Review Body concerning medical and dental officers pay and if you have reservations about the approach they have adopted in arriving at their latest recommendations it is open to you to take this up with them directly in your submissions for the 1982 Pay Review. As far as the Government is concerned, however, it accepts the Review Body's judgement on this point.

FILE

VLB

Defence

cc

cc DHSS

11 August 1981

I enclose a letter from the Secretary of the BMA about the recent award to doctors and dentists in the Armed Forces. The Prime Minister will need to reply to this herself, and I would be grateful if you could provide a draft in consultation with DHSS.

I am sending a copy of this letter and enclosure to Don Brereton (DHSS).

T P LANKESTER

B. M. Norbury, Esq.,
Ministry of Defence.

FILE

VLB

11 August 1981

In the Prime Minister's absence on holiday, I am writing to acknowledge your letter of 7 August. I will bring this to her attention as soon as possible, and a reply will be sent to you.

T P LANKESTER

J. D. J. Havard, Esq.

2

PRIME MINISTER

This is a letter from the Secretary of the BMA complaining about the 7 per cent pay increase for doctors and dentists in the Armed Forces. Even though this was what the Armed Forces Review Body recommended, he says that they should have got the 9 per cent recommended for doctors and dentists by the Doctors and Dentists Review Body (even though we cut the latter back to 6 per cent).

This is all a little odd, and I cannot see that the BMA really have much of a leg to stand on. Indeed, if we had overridden the AFRB and given the Armed Forces doctors 9 per cent, there would no doubt have been shrill criticism from the civilian doctors. (The BMA Secretary makes clear at the end of his letter that he is only speaking on behalf of the Armed Forces doctors and dentists!)

I think you will have to reply to this, and I will get a draft from MOD and DHSS.

TL ..

mt

11 August 1981

BRITISH MEDICAL ASSOCIATION

TAVISTOCK SQUARE LONDON WC1H 9JP

Telephone: 01-387 4499
Telegrams: MEDISECRA LONDON WC1H 9JP

Secretary: J. D. J. Havard
MA MD LLB

Your Reference
Our Reference **DDJH/GR**

7th August, 1981.

Dear Prime Minister,

A key factor in our reaction to your decision to cut the recommendations of the Doctors' and Dentists' Review Body this year, and in the restraint which has been shown by the professions, was the assurance you gave us that with the exceptions of the Armed Forces and the police, the government was determined to limit salaries in the public sector within the 6% cash limit.

You explained to us that the exceptions mentioned were based on the risks which are incurred by the Armed Forces and the police, and this appears clearly in the agreed notes of the meetings which took place with yourself, and afterwards with the Secretary of State for Social Services.

The restraint exercised by the professions was in large measure due to the belief that the government was acting in good faith in a determined attempt to reduce inflation, and I have little doubt that the restraint which the professions have shown has been a major factor in enabling settlements to be reached in other parts of the public sector within cash limits.

At the time it had not even occurred to us that our restraint might be used against the interests of doctors and dentists serving in the Armed Forces as they incur the same risks as other serving officers. However, this has been the consequence of your having accepted the recommendations contained in the Supplement to the Tenth Report of the Review Body on Armed Forces Pay (Cmd. 8322).

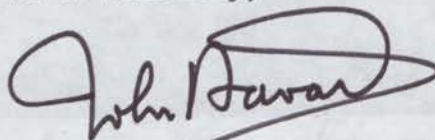
The decision to exclude serving doctors and dentists in this way will have an adverse effect on the good faith with which the professions based their restraint in accepting for this year the cuts imposed on the recommendations of the DDRB, and I must request that you urgently reconsider your decision so as to ensure that these serving officers receive the 9% increase which they are entitled to receive by virtue of their analogue with increases recommended for GMPs by the DDRB.

In view of the special position of serving officers I must make it clear that the representations in this letter are made on behalf of members of the

P.T.O.

BMA and BDA serving in the Armed Forces and do not therefore have the support of the Medical and Dental Directors General in asking for a review of this year's award. Meanwhile, the professions as a whole will be deeply concerned at the adverse effect of this discrimination against their colleagues in the Armed Forces.

Yours sincerely,



Secretary.

The Rt. Hon. Margaret Thatcher, MP,
10 Downing Street,
London,
S.W.1.

17 AUG 1981

11 12 1 2 3
10 9 8 7 6 5 4

[Handwritten signature]

Defence



10 DOWNING STREET

NOTE FOR THE FILE

Lord Boyle's copy of the Sir Harold Atcherley letter was not enclosed with this handwritten note. I sent him the copy with a compliment slip today. Ian Gow said that at present he is staying at:

Vice Chancellor's Lodge,
Grosvenor Road,
Leeds.
LS6 2DZ

VUB

3 August 1981



10 DOWNING STREET

THE PRIME MINISTER

Friday 31 July 1982.

My dear Richard.

A note to say how very much I enjoyed seeing you the other day. I know that Leeds - and other Universities are having problems about finance - but they seem comparatively small compared to the many problems that confront me!

Parliament has risen today and I am much looking forward to a holiday when I can re-charge the batteries of the mind with a bit of reading.

Every good wish.

Yours affectionately
Margaret



10 DOWNING STREET

PRIME MINISTER

You signed the letter to Sir Harold Atcherley about the AFPRB recommendations. In it, you say that you are sending a copy to Lord Boyle. Do you want to attach some personal note to this - here is the copy with some paper for the purpose if you wish to do so?

MA

30 July 1981



JWP

c. Lord Boyle
MOD
HMT
CSD
BMS
S

10 DOWNING STREET

THE PRIME MINISTER

30 July 1981

Dear Sir Harold,

Thank you for your letter of 14 July with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers.

I am writing to tell you that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a Written Answer in the House of Commons on Friday, 31 July. The supplement to the Tenth Report will be published at the same time as Cmnd 8322. In the answer I shall also be announcing an increase of 7% in the pay of medical Major Generals to bring them to £23,005. I am therefore copying this letter to Lord Boyle. [Not yet sent - waiting for PM to write covering note. MP 31/vii]

I am very grateful to you and the members of the Review Body for your work in producing this report.

Yours sincerely
Margaret Thatcher

Sir Harold Atcherley



10 DOWNING STREET

PRIME MINISTER

Here is a letter for you to send to Sir Harold Atcherley now that you are about to announce acceptance of the AFPRB recommendations on the pay of service medical and dental officers.

In the draft, you say that you are copying the letter to Lord Boyle. Following your meeting with Lord Boyle, you may perhaps wish to send a personal note covering the copy of the letter to Sir Harold.

I attach the copy with some blank paper.

MAP

28 July 1981

Defence

*cc Mr Verkerke
Mr Darguid
Mr Ingham*



2

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~3307000~~ 218 2111/3

MO 4/4

Prime Minister *PM has agreed* 28th July 1981

*Agree that we should announce
the decisions in the attached arranged
PQ on Friday?*

Dear Tim,

M/D 28/7/81

REVIEW BODY ON ARMED FORCES PAY - SERVICES MEDICAL AND DENTAL OFFICERS

In my letter of 23rd July to Jim Buckley (CSD) I set out my Secretary of State's proposals concerning the AFPRB recommendations for levels of military salary for the Services' Medical and Dental Officers.

You will have seen from Jim Buckley's reply of 27th July that the Lord President is content that these recommendations should be accepted and announced without delay, and that the salary of medical Major Generals should also be increased by 7%. I have confirmed that there are no objections from HM Treasury or the DHSS.

I enclose the draft of a Written Parliamentary Answer on which the Defence Secretary would recommend that the Prime Minister should give announcing the award, together with the draft of a letter from the Prime Minister to Sir Harold Atcherley. Because of the HMSO printing timetable copies of Cmd 8322, the supplement to the Tenth Report of the AFPRB, will not be available before Friday and we would suggest that the Written Answer is given therefore on Friday morning. I am copying this letter to John Wiggins (HM Treasury), Jim Buckley (CSD), Don Brereton (DHSS) and to David Wright (Cabinet Office).

*Yours ever,
David*

(D B OMAND)

T P Lankester Esq

DRAFT LETTER TO SIR HAROLD ATCHERLEY

Thank you for your letter of 14th July with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers.

I am writing to tell you that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a written answer in the House of Commons on Friday 31st July. The supplement to the Tenth Report will be published at the same time as Cmnd 8322. In the answer I shall also be announcing an increase of 7% in the pay of medical Major Generals to bring them to £23,005. I am therefore copying this letter to Lord Boyle.

I am very grateful to you and the members of the Review Body for your work in producing this report.



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

27 July 1981

David Omand Esq
Private Secretary to Secretary of State
for Defence
Main Building
Whitehall
LONDON SW1A 2HB

Yes *MS*

1. Mr Pattison

2. Prime Minister

*Content to announce
by written Answer (Floyd)
we accept the AFPRB
recommendations? (DHSS*

Dear David,

REVIEW BODY ON ARMED FORCES PAY - SERVICES MEDICAL AND DENTAL OFFICERS

*are not
objecting)*

Thank you for your letter of 23 July 1981.

The Lord President is content that the recommendations of the AFPRB on the pay of Service Medical and Dental Officers should be accepted and announced without delay, and that the salary of Medical Major Generals should also be increased by 7%.

JL

The cost of the award (£1.8m) falls within the Government's commitment to comparability of pay for the Armed Forces and it would seem right to treat it in the same way as the main AFPRB settlement.

27/1

The Lord President is happy with the draft Parliamentary Question and Answer and the draft letter to Sir Harold Atcherley.

I am copying this letter to the recipients of yours.

*Yours sincerely,
J. Buckley.*

J BUCKLEY



MO 4/4

*in the books
Proc Office*

return to me pl.

MBPM yet

R.
MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1 *R*

Telephone 01-9367022 218 2111/3 *27/7*

23rd July 1981

Dear Jim,

REVIEW BODY ON ARMED FORCES PAY - SERVICE MEDICAL AND DENTAL OFFICERS

My Secretary of State has seen Tim Lankester's letter of 15th July covering the Supplement to the Tenth Report of the AFPRB which recommends levels of military salaries for the Services' medical and dental officers.

The report recommends increases of about 7% (gross) at each rank level, compared to the average of 10.3% awarded this year to the combatant ranks following the Government's acceptance of the AFPRB's Tenth Report. This lower percentage takes account of the actual award of 6% to the General Medical Practitioners in the National Health Service who provide the civilian analogue in this case, as well as of a substantial increase (to 10%) in the deduction for pensions. Mr Nott accepts this and all the other recommendations of the Review Body and he would like the Government's decision to be announced without delay. He also wishes the cost of the award (£1.8m) to be treated in the same way as that of the main AFPRB settlement.

My Secretary of State hopes that Ministers can agree to accept the supplement without discussion, as they have done in previous years. The level of the settlement is not contentious and in any case falls within the Government's continuing commitment to comparability of pay for the Armed Forces. If Ministers agree, we would aim for an announcement by the Prime Minister in the week beginning 27th July in the terms of the enclosed draft (written) Parliamentary Question and Answer. The draft also covers the outstanding question of the rate of pay for medical Major Generals which was left for decision until receipt of this supplementary report. Mr Nott believes that in line with other members of the groups covered by the TSRB they should



also receive an increase of 7% from 1st April, bringing their pay from £21,500 to £23,005. This will continue to provide a small lead over the salary of the medical Brigadier receiving £22,450.

I also enclose a draft of a letter for the Prime Minister to send to Sir Harold Atcherley, which we would propose to put forward.

I am copying this letter to Tim Lankester (No 10), to John Wiggins (HM Treasury), Don Brereton (DHSS) and to David Wright (Cabinet Office).

Yours ever,

David

(D B OMAND)

A

WRITTEN

QUESTION

To ask the Prime Minister if she will make a statement about the pay of medical and dental officers in the Armed Forces.

ANSWER

The Prime Minister

Following its earlier acceptance in full of the recommendations of the tenth report of the Armed Forces Pay Review Body, the Government has now decided to increase the pay of service medical and dental officers by amounts averaging 7% from 1 April 1980 in accordance with recommendations contained in a supplementary report by the Review Body, which is published today as Cmnd 7 7. Copies are available in the Vote Office.

The pay of medical Major Generals, which as I announced on 15 May would be decided in the light of the recommendations of the supplementary report, will also be increased by 7% from 1 April.

ms

DRAFT LETTER TO SIR HAROLD ATCHERLEY

Thank you for your letter of 14 July with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers.

2. I am writing to tell you that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a written answer in the House of Commons on [] . The supplement to the Tenth Report will be published at the same time as Comnd [] . In the answer I shall also be announcing an increase of 7% in the pay of medical Major Generals to bring them to [£23,005] . I am therefore copying this letter to Lord Boyle.

3. I am very grateful to you and the members of the Review Body for your work in producing this report.

23 JUL 1981

1890 11 12 1
784 3
6543

PRIME MINISTER

*copied
to J. Stevens
B. Ingham not*

We have received the Armed Forces Review Body's report on salaries for medical and dental officers in the Armed Forces. It recommends a 7% increase of the various grades covered - i.e. up to brigadier. This compares with the 10% awarded to the Armed Forces generally, and the 6% awarded to doctors and dentists in civilian practice.

On the surface, this looks a reasonable compromise. But I will get advice from Departments.

12

not

15 July 1981

File

Jup



10 DOWNING STREET

From the Private Secretary

15 July 1981

I am writing to acknowledge your letter of 14 July with which you enclosed the supplement to your Review Body's 10th Report. I will of course place this before the Prime Minister, and a reply will be sent to you as soon as Ministers have taken a decision on your recommendations.

T. P. LANKESTER

Sir Harold Atcherley



10 DOWNING STREET

From the Private Secretary

15 July 1981

B/F
20/7/

We have now received the supplement to the Armed Forces Review Body's 10th Report, covering the salaries of medical and dental officers in the Armed Forces. I would be grateful for advice on the substance and handling of this report. This should include, please, a draft letter for the Prime Minister to send to Sir Harold Atcherley (I enclose a copy of his letter).

I am sending a copy of this letter and enclosure to Don Brereton (Department of Health and Social Security), John Wiggins (HM Treasury) and David Wright (Cabinet Office).

I enclose for you a copy of the report; could other copy recipients please obtain their copies direct from the Office of Manpower Economics.

T. P. LANKESTER

B.M. Norbury, Esq.,
Ministry of Defence.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW 1

14 July 1981

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I enclose a supplement to our Tenth Report, which contains our recommendations on the military salaries that we consider to be appropriate at 1 April 1981 for medical and dental officers in the armed forces up to Brigadier and equivalent. The completion of this report has had to await decisions on the increases to be applied this year to the earnings of general medical practitioners in the National Health Service, which we use as a basis for comparison in forming our recommendations.

These recommendations complete our 1981 review of the pay of those members of the armed forces who are within our terms of reference.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

11 4 JUL 1961



UNITED STATES GOVERNMENT
OFFICE OF THE DIRECTOR
OF THE BUREAU OF RESEARCH
WASHINGTON, D. C. 20540

PRIME MINISTER

1
Defence

You asked (below) about the existing arrangements for parental contribution to boarding school costs for defence staff. These were summarised in Lord Trenchard's earlier letter to you, which is at Flag A. I have sidelined the relevant paragraph. You will see that this does mean a contribution in the case of servicemen who use the more expensive schools.

Tony Marlow's complaint to you (Flag B) was about the threat of further changes. Lord Trenchard's decision is to leave matters as they stand for the time being.

May we let the matter rest for the present?

ms
mb

MA

18 June 1981

Defence 2

PRIME MINISTER

You were concerned about the possibility of changes in the Ministry of Defence boarding school allowance arrangements.

Peter Blaker now writes (below) explaining that the Ministry have decided to make no changes. As Mr. Blaker says, this does not require any further letter to Tony Marlow, as you only committed yourself to write again if there were changes.

As I understand ~~MP~~
therefore that there is no
parental contribution?
11 June 1981
if so - all is well. But - I
understood there was something
about 75p per day



MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone ~~01-938 7022~~ 01-218-2216

9th June 1981

Dear Prime Minister,

Tom Trenchard wrote to you on 27 April 1981 giving the background to the Ministry of Defence's examination of the levels of Boarding School Allowance for members of the Armed Forces and enclosing a draft letter to Tony Marlow who had raised the subject with you. You wrote accordingly to Tony Marlow on 28 April.

In Tom Trenchard's letter he said that any decisions on Boarding School Allowance would have to be taken in conjunction with the CSD. We have discussed the subject with Barney Hayhoe and we have both decided that the time is not ripe for making any changes. On the one hand, there are no strong grounds for increasing the size of the allowance; and, on the other, the climate is not right for introducing a parental contribution which would affect only those using the less expensive schools.

I am writing therefore to tell you that we propose to make no changes to the scheme for the time being. The terms of your letter to Tony Marlow are such that there is no need, I think, to write to him again.

I am copying this letter to Barney Hayhoe.

*Yours ver,
Peter*

PETER BLAKER

Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street

MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2BB

Telephone: 01-273 3411



1961 MAR 11

11 12 11
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11 12 11

LONDON

copy to Mr. Williams, CSD

Top Copy
Returned



Appointments

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY
Telephone 01-405 5944

Reference

Prime Minister

To see

Hand
28.5.81

PERSONAL

MB

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
London SW 1

28 May 1981

Dear Mr. Whitmore,

Thank you for your letter of 14 May 1981.

I will be very happy to continue as Chairman of the Armed Forces Pay Review Body until the end of the 1982 review and to continue as a member of the Top Salaries Review Body for the same period.

Yours sincerely,
Harold Atcherley

HAROLD ATCHERLEY

MB



10 DOWNING STREET

THE PRIME MINISTER

14 May 1981

Mod.
Press

Defence

Dear Sir Harold,

Further to my letter of 27 April, the Government has now considered the Tenth Report of the Review Body on Armed Forces Pay which you sent me under cover of your letter of 15 April. I am pleased to tell you that it has agreed to accept in full all the scales of pay and charges which the Review Body has recommended. I shall be announcing this decision by Written Answer in the House of Commons on 15 May. The Report will be published as Command 8241 on the same day.

I should like to thank you and the members of your Review Body once again for the detailed work which has clearly gone into the preparation of this Report.

Yours sincerely

Margaret Thatcher

Sir Harold Atcherley

ds.

CONFIDENTIAL

reference



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3 (Direct Dialling)

01-218 9000 (Switchboard)

MO 4/4

12th May 1981

Dear Sir,

*GR - m
by m*

REVIEW BODY ON ARMED FORCES PAY

/ Further to my letter of 24th April to Nick Sanders I now attach the draft of a letter which the Prime Minister could send to Sir Harold Atcherley once a final decision has been taken on the date of publication of the Tenth Report of the AFPRB.

*h
n*

*James
Dair*

D B OMAND

M A Pattison Esq

CONFIDENTIAL

DRAFT LETTER FROM PRIME MINISTER TO SIR HAROLD ATCHERLEY

Further to my letter of 27 April, the Government has now considered the Tenth Report of the Review Body on Armed Forces Pay which you sent me under cover of your letter of 15 April. I am pleased to tell you that it has agreed to accept in full all the scales of pay and charges which the Review Body has recommended. I shall be announcing this decision in the House of Commons on 14 May. The Report will be published as Command 8241 on the same day.

I should like to thank you and the members of your Review Body once again for the detailed work which has clearly gone into the preparation of this Report.

12 MAY 1981

12
1
2
3
4
5
6
7
8
9
0



RH

cf. ~~16/3/81~~ 29/4/81



File

cc: FCO
JMIT
MOD
DES

10 DOWNING STREET

THE PRIME MINISTER

28 April 1981

Dear Tony,

Thank you for your letter of 16 March about educational allowances for Servicemen and diplomats and your fears that the differential between the schemes for these two groups might be increased.

The position is currently as stated in my Written Answer to you of 13 November last year. Various modifications to the Ministry of Defence scheme have been considered over a long period but no decisions have been taken. The relative position of Servicemen and diplomats will be kept fully in mind.

We shall, of course, let you know if we decide to make changes in the MOD scheme.

Yours ever,

(Sgd) MT

Tony Marlow, Esq, MP

EX

3



10 DOWNING STREET

PRIME MINISTER

There is a report from
— see 27/4
Lord Trachard (attached) on

where MOD stand on the

Boarding School Allowance. I

have told them that you

are taking a close interest in
—————→

their proposals.

MJ5

27/4



RH
cc M
Defence

10 DOWNING STREET

THE PRIME MINISTER

27 April 1981

Dear Sir Harold

Thank you for your letter dated 15 April enclosing the Tenth Report of the Review Body on Armed Forces Pay. The Government are now considering the Report and I shall write to you again as soon as a decision has been reached on the Review Body's recommendations.

Yours sincerely,
Margaret Thatcher

Sir Harold Atcherley

JS



MINISTER OF STATE FOR DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

D/MIN/TT/13/3

27 April 1981

Dear Prime Minister

BOARDING SCHOOL ALLOWANCE

I have seen your Private Secretary's letter of 16 April in which he asked for more background information for you. It might be helpful if I sketched out where we have reached.

Boarding School Allowance is provided to assist Service parents who wish to send their children to boarding schools in the United Kingdom rather than to the Army schools the Ministry of Defence provides at the larger overseas stations, or other local schools. Under the present arrangements, Servicemen may reclaim school fees, within limits which are adjusted regularly. The balance of the fees above the maximum allowance is intended to represent the Serviceman's contribution to the cost of educating his children, recognising that he has an element of choice. Many Servicemen effectively make this contribution but those using the cheaper schools, mainly (but not exclusively) the junior ranks, do not.

The position I found when I first came to this problem a few weeks ago, was that the Ministry of Defence had put evidence to the Armed Forces Pay Review Body three years ago on this subject. That evidence suggested a change in the

/current

The Rt Hon Margaret Thatcher MP

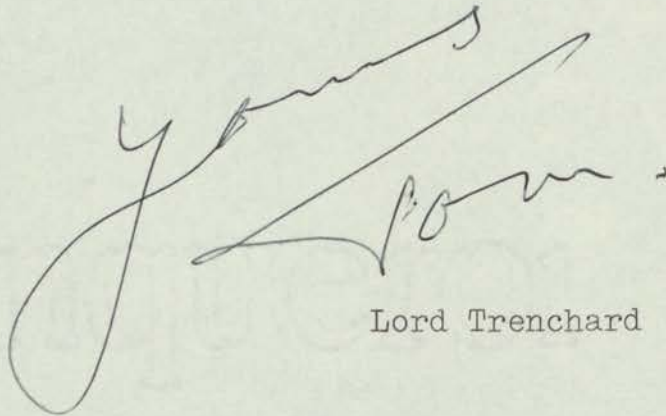
current basis of the allowance so that, in future, all parents would effectively make some contribution to the cost of their children's school fees. There was no question of any additional bureaucracy to "collect" the contribution. The allowance would simply be calculated as a fixed percentage of school fees, subject to a maximum allowance. In the transition from the present system to the new it was intended that full protection would be given to those who had already committed themselves to boarding school education for their children. The second element of the evidence suggested an increase in real terms in the maximum of the allowance over and above the annual increases which are anyway index linked. Some doubts were expressed within the Ministry of Defence, particularly by the Navy and also by the RAF, that this package would increase the total cost of the allowance. The cost estimates were based on a number of assumptions, some of which are debatable, but the evidence concluded that there would probably not be an increase in the total cost.

The Review Body have been sitting on this evidence ever since. They wanted to make recommendations this time round but first of all sought advice on whether the Government still endorsed the principles involved. This was put to me and I saw some difficulty with it. Even if there was to be no extra cost from the package, it did mean generally that we would give more money to the higher paid Servicemen while giving less to the lower paid. There was a clear risk that this would attract unwelcome criticism of the allowance. I am not saying that there was no case for a real increase in the maximum rate of the allowance, but that doing so at the same time as reducing the money at the lower end of the scale was unwise. The maxima will be increased with inflation anyway

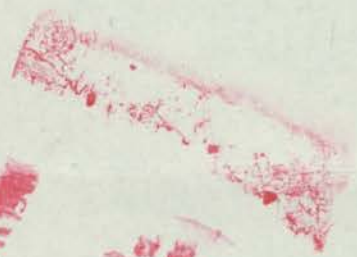
We therefore decided that we should ask the AFPRB to consider the question of a parental contribution on its own merits in the first instance, leaving the possibility of an adjustment to the maximum for the future. In the event, the

/Review

Review Body has declined to consider the evidence piecemeal and has indicated that it regards the question as more appropriate for management. It therefore remains for us to decide to introduce a parental contribution now and, perhaps, to alter the maximum rates at some future point. These are decisions which we will have to take in conjunction with the Civil Service Department and I shall be writing to Barney Hayhoe in the next few days. In view of your interest, I will report to you before any final decision is taken. In the meantime, you may wish to send Tony Marlow a reply on the lines of the draft attached to my minute of 15 April.

A handwritten signature in cursive script, appearing to read 'Yours Lord Trenchard', written in dark ink.

Lord Trenchard



27 APR 1960



COMMUNICATIONS

1960

Defence



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~936~~ 7022 218 2111/3.

MO 4/4

24th April 1981

Dear Nick,

*GR
type for PMP
~~etc~~
MS*

REVIEW BODY ON ARMED FORCES PAY

In your letter of 15th April you asked for the draft of a short letter for the Prime Minister to send to Sir Harold Atcherley in acknowledgement of the AFPRB's Tenth Report. This is attached. We will let you have further advice together with a letter on the substance to Sir Harold, and a draft announcement, when we know the outcome of Cabinet consideration of the Report.

Yours ever,

Dain

(D B OMAND)

N J Sanders Esq

DRAFT LETTER FROM PRIME MINISTER TO SIR HAROLD ATCHERLEY (at

office of Manpower
Economics)

REVIEW BODY ON ARMED FORCES PAY

Thank you for your letter dated 15th April enclosing the Tenth Report of the Review Body on Armed Forces Pay. The Government are now considering the Report and I shall write to you again as soon as a decision has been reached on the Review Body's recommendations.



file

811
MR T. MARLOW MP
Boarding School Allowances

10 DOWNING STREET

From the Private Secretary

16 April 1981

Boarding School Allowance:
Correspondence from Tony Marlow MP

On 7 April I wrote to you about a draft reply to Tony Marlow MP which you had supplied, and we have now received Lord Trenchard's minute of 15 April.

Immediately before her departure for India, the Prime Minister raised this matter with us again. She made it clear in no uncertain terms quite how unhappy she had been with the original draft and indicated that she was looking for early decisions. Given that degree of concern on her part, I think it would be helpful if we could have, in addition to Lord Trenchard's minute, a short background note describing the issues which are now under consideration and indicating how long it is likely to be before it will be possible to report your Ministers' conclusions to us. Could you please let me have something along these lines by close of play on Monday 27 April.

N. J. SANDERS

Derek Piper, Esq.,
Ministry of Defence

hb

CONFIDENTIAL

BK



file

CC: JMT
Emp
ESD
CO (with report)

10 DOWNING STREET

Defence

From the Private Secretary

15 April 1981

BF 24-4-81

Review Body on Armed Forces Pay

We have today received the Tenth Report of the Review Body on Armed Forces Pay, under cover of the attached letter from the Chairman. The Report is due to be discussed in Cabinet on 30 April; no doubt your Secretary of State will be putting around a paper in due course.

I should be grateful if you could let me have a short draft letter for the Prime Minister to send to Sir Harold Atcherley, to reach us here by Friday 24 April.

I am copying this letter to John Wiggins (HM Treasury), Richard Dykes (Department of Employment), Jim Buckley (Civil Service Department) and David Wright (Cabinet Office). Copy addressees will be able to obtain copies of the Report itself from the Office of Manpower Economics.

N. J. SANDERS

CS

Brian Norbury, Esq.,
Ministry of Defence

CONFIDENTIAL



MINISTER OF STATE FOR DEFENCE

D/MIN/TT/13/3

Prime Minister

BOARDING SCHOOL ALLOWANCE

Your office returned the draft letter that officials had prepared for you to Tony Marlow MP on the above subject. The letter was not suitable for an additional reason, namely that no final decisions have been taken on what to do about Boarding School Allowance and I would not have wished, if I had seen the letter, for you to intimate at this stage that we had any immediate intention of doing anything. Rather than give you the pros and cons of differing views on what, if any, changes are needed, I would suggest that the attached non-committal, but more reassuring, letter might be sent to Mr Marlow at this stage and that I give you an undertaking that, before we reach any commitment stage, we will put any proposals for change to your office to seek your views. We are not seeking to be mean; perhaps we could keep the problems here and not waste your time until we have them clearer. I could explain a long and complicated background but would prefer to rationalise the situation before doing so.

yours
[Signature]

15 April 1981

GR
for Mpl
cc:IG
27/4

Thank you for your letter of 16th March about educational allowances for Servicemen and diplomats and your fears that the differential between the schemes for these two groups might be increased.

2 The position is currently as stated in my Written Answer to you of 13th November last year. Various modifications to the Ministry of Defence scheme have been considered over a long period but no decisions have been taken. The relative position of Servicemen and diplomats will be kept fully in mind. ~~Should any decision to alter the MOD scheme be taken I have asked John Nott Tom Trenchard to inform you of them and of the reasons for them.~~

~~we may reach to alter to the MOD scheme. #~~ ^{we will, let you know of any ~~alterations~~ decisions} We shall of course let you know if we decide to make changes in the MOD scheme.



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW 1

15 April 1981

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I enclose the Tenth Report of the Review Body on Armed Forces Pay, containing recommendations on the levels of pay and charges that we judge appropriate for members of the armed forces from 1 April 1981.

As usual, our recommendations for Service medical and dental officers will follow as soon as possible in a supplement to this report, when the 1981 recommendations of the Review Body on Doctors' and Dentists' Remuneration are known.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

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FILE

VCE

Th. MARLOW

(Education allowances)

cc FCO
DES
HMT

7 April 1981

Boarding School Allowance:
Correspondence from Tony Marlow, M.P.

The Prime Minister has seen the draft reply to Tony Marlow, M.P., which you sent us under cover of Jill Ferguson's letter of 2 April. She is not happy with it.

She has commented that the Home Savings Contribution seems to her to be mean, and that she doubts whether it is worth collecting. She has also commented that she does not agree that it would be justifiable to modify the scheme so that all Service personnel would make a contribution.

I should be grateful if you would revise the draft in the light of these comments, and let me have the revised version by the end of this month. I think that it might be worth adding a note about the administrative cost to the Departments concerned of the current "grossing up" arrangements for boarding school allowances, since this is an area where, in principle at least, economies might be made. If there are any other suggestions for changes to the arrangements which you would like to put forward, I am sure that the Prime Minister would be glad to have them.

I am copying this letter to Francis Richards (Foreign and Commonwealth Office), and for information to Peter Shaw (Department of Education and Science) and Richard Tolkien (H.M. Treasury).

N. J. SANDERS

D. T. Piper, Esq.,
Ministry of Defence.

JS



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 6312 (Direct Dialling)

01-218 9000 (Switchboard)

D/S of S/PS/10

2nd April 1981

Jean Nick,

GR 3/4
JPM, 1
CCIG

Thank you for your letter of 20th March addressed to Derek Piper.

/ I attach a reply, which has been cleared with the FCO, for the Prime Minister to send to Tony Marlow - the reply refers to a written Parliamentary answer given to / Mr Marlow on 13th November 1980, also attached.

Yours sincerely,
Jill Ferguson

JILL FERGUSON
Parliamentary Clerk

N J Sanders Esq

DRAFT REPLY FROM THE PRIME MINISTER TO MR TONY MARLOW, MP

Thank you for your letter dated 16 March about education allowances for Servicemen and diplomats.

I explained to you in a written answer on 13 November last year the reason for the differences between the education allowances available to Servicemen and diplomats, which stem from the different conditions of service of the two groups. The rates of Boarding School Allowance set out in that answer have continued to apply for both the Diplomatic Service and the Armed Forces, although they are all currently under review in the light of recent increases in boarding school fees.

It was never the intention that the MOD scheme should meet the full cost of a boarding school education because Service parents have a choice as to where to send their children to school, even when they are serving overseas. You will no doubt be aware that Service schools are established in countries such as Germany, Gibraltar, Cyprus and Hong Kong and provide, so far as possible, the same pattern of education for the children of Servicemen stationed there as that provided by Local Education Authorities in the UK. ¶ The principle of the Armed Forces Boarding School Allowance scheme that parents should make a contribution towards the education of their children is not, therefore, discriminatory, as you suggest. Indeed without at least a minimum contribution many Service parents will be enabled to make a profit at the tax-payers' expense through the savings at home occasioned by the absence of the child. This is acknowledged in the Home Savings Contribution (currently 76p per day) required to be paid by Service parents who send their children to the free boarding schools administered by the Services overseas, or to private boarding schools overseas for which the fees are refunded by ^{the MOD.} MOD.

On the other hand, contrary to the intentions of the scheme, parents who send their children to boarding schools in the United Kingdom with

es below the current maximum levels of the allowance make no contribution towards the cost of educating their children. Surveys have shown that such parents form a significant proportion of those drawing boarding school allowance. The Ministry of Defence is, therefore, considering modifications to the scheme to ensure that in future all Service personnel make a reasonable contribution. I believe that this would be entirely justifiable, for the reasons I have given.

It would be the MOD's intention, however, to provide adequate notice of the change and to give protection to those parents already committed to a boarding school education for their children.

The needs of the Diplomatic Service are different, since its members spend the major part of their careers overseas, often in countries where there are no suitable educational facilities for British children. Previous studies of the Boarding School Allowance arrangements for the Diplomatic Service and Armed Forces have come to the conclusion that there is a basic difference in the circumstances of the two groups and that a different form of allowance is appropriate.

Volume 992
No 224 Pt I
Date 13-11-82
Cols 299-300

**BOARDING EDUCATION
ALLOWANCES**

Mr. Marlow asked the Prime Minister how the allowances for boarding education compare as between the children of Service men and Foreign Office officials.

The Prime Minister: As members of the Diplomatic Service spend the major part of their careers overseas, often in countries where there are no suitable educational facilities, diplomatic staff are reimbursed their full expenses on boarding education up to the current average charges by a specified range of schools.

Allowances are payable only from the time of the first posting abroad and there is a limit to the time it may continue on return to the United Kingdom. The current ceilings are:

Boys senior schools	£2,810 pa
Girls senior schools	£2,698 pa
Boys junior school	£2,529 pa
Girls junior schools	£2,428 pa

In addition, the diplomat receives £50 for each child after the first when he is overseas.

The MOD scheme on the other hand, does not set out to meet the full cost of boarding fees; allowances are payable

as a contribution towards the expenses incurred by Service parents who elect to send their children to boarding schools to ensure continuity of their education against the background of their own liability to frequent postings at home and abroad. The allowance is available regardless of the duty station location. The current maximum annual rates are:

For the first and second child	£1,716
For the third child	£2,043
For the fourth and subsequent children	£2,127

2 APR 1981



Mr. MARLOW
(Education allowances)

20 March 1981

I attach a letter the Prime Minister has received from Tony Marlow, MP, about the differential between the education allowance available for servicemen and diplomats.

I should be grateful if, in consultation with the Foreign and Commonwealth Office, you could let me have a draft reply for the Prime Minister to send to Mr. Marlow, to reach us here by Friday 3 April.

I am copying this letter and its enclosure to Francis Richards (Foreign and Commonwealth Office) and for information to Peter Shaw (Department of Education and Science).

N J SANDERS

Derek Piper, Esq.,
Ministry of Defence.

JS

jfh

20 March 1981

I am writing on behalf of the Prime Minister to acknowledge your letter of 16 March.

I will place this before the Prime Minister and you will be sent a reply as soon as possible.

NJS

Tony Marlow, Esq., MP.

JS

From: TONY MARLOW, M.P. for Northampton North

ce16
3/4



B

K913

HOUSE OF COMMONS
LONDON SW1A 0AA
16th March, 1981.

The Rt.Hon.Mrs.M. Thatcher, PC MP,
Prime Minister.

Dear Prime Minister

I understand that the gap between the education allowance available to servicemen and diplomats is to be widened still further. I also believe there is a possibility that service parents will be required to make a parental contribution, whereas this will not apply to parents in the Foreign Service. If this does happen it would seem to be highly discriminatory.

I would be interested to know on what principle the Government may be basing such a decision.

*Yours sincerely
Tony Marlow*

FILE
CONFIDENTIAL

R H

Blind cc:- Mr Vereker
Mr Ingham
Mr Hoskyns
Mr Wolfson
Mr Walters

Defence

22 January, 1981

I enclose my note of the Prime Minister's meeting yesterday with the Chairman of the Armed Forces Pay Review Body.

I am sending a copy of this letter and enclosure to John Wiggins (HM Treasury) and David Wright (Cabinet Office).

J.P. LANKESTER

Brian Norbury, Esq
Ministry of Defence

CONFIDENTIAL

GR



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

20 January 1981

T P Lankester Esq
Private Secretary
No 10 Downing Street

Dear Tim,

...I am attaching the brief which has been prepared by the Treasury for the PM's meeting tomorrow with Sir Harold Atcherley of the Armed Forces Pay Review Body.

I am copying this letter and enclosure to Don Brereton, David Omand and David Wright.

Yours ever,

Richard Tolkien

R I TOLKIEN

~~SECRET~~ BRIEF FOR THE PRIME MINISTER'S MEETING WITH SIR HAROLD ATCHERLEY

1. This is the last of your three meetings with the Chairman of the Pay Review Bodies. The circumstances of the AFPRB make it necessary to adopt a rather different approach to that taken with the Chairmen of the other two bodies. The points you may wish to get across are:

- a) the Government stands by its commitment to maintain the pay of the Forces at the level of their civilian counterparts.
- b) it recognises that the recommendations of the AFPRB are arrived at by a well established methodology.
- c) nevertheless it wishes the AFPRB to take full account of the present economic climate in forming its recommendations.
- d) In particular, the Body should recognise that the strong financial pressures on outside employers are already producing a downward trend of pay settlements. It should also take full account of the value of the relative security of employment enjoyed by members of the Armed Forces at the present time and the value of this as reflected in current recruitment and retention figures. 7The AFPRB already have the detailed information on recruitment and retention.7

Attached at Annex A is a draft of the letter you might send to the Chairman following the meeting.

2. On coming into office, the Government made a firm commitment to maintain the pay of the Armed Forces at the levels of their civilian counterparts. This was reaffirmed by yourself in July and again by Mr Pym in December last year. The Government has agreed but not yet announced that the Ministry of Defence cash limit will be reviewed in the light of the Government's decisions on the recommendations of the AFPRB in their 1981 report.

Comparability and related factors

3. The Government's commitment is in effect to the maintenance of the doctrine of pay comparability for the Forces. In any case comparability plays a very much greater part than it does in the recommendations of the TSRB and it is arrived at by a well-established and precise methodology which has also been well publicised in the Body's previous reports. The scope for influencing the AFPRB's recommendations in a downward direction may therefore be small. Nonetheless it cannot be assumed that it is negligible. If the Government's commitment on comparability is to remain defensible, it is essential that the comparability methods used should be fully defensible, and take account of all relevant factors. The AFPRB will be as concerned as you to achieve this.

4. The AFPRB's system for establishing basic pay works by looking at the levels of earnings of the 'civilian counterparts' at the latest dates on which information is available about them (this is generally November preceding the date of award for other ranks and January for officers) and by forecasting the subsequent movement of these earnings

between those dates and the following 1 April. Basic pay calculated in this way is then adjusted to take account of fringe benefits and of the balance of advantage and disadvantage of Service life by comparison with civilian life.

5. There are three points you may wish to make on this:

- a) in spite of the methodological difficulties, it is essential for any comparability arrangements to allow for factors such as job security & labour supply and demand. Supply and demand, as evidenced by recruitment and retention figures, has already been noted above. Job security is particularly relevant in current circumstances, given high unemployment and widespread plant closures and redundancies in the private sector. You might like to give Sir Harold Atcherley the table at Annex B which shows, for example, that 1.4 million redundancy payments between 1975 and 1979, only 7800 went to Government employees (including the NHS), and 11600 to others in public administration. These two together account for less than 1.5% of the redundancy payments but well over 10% of total employment. More recently, the unemployment figures show a similar picture. The August 1980 figures, classified by last recorded job, show an unemployment rate of 3.0% for central and local government, compared with 6.7% for the private sector.

- b) the forecasting of the subsequent movement of earnings is affected by the level of current settlements. The Review Body has available to it in the later stages of

its deliberations a wide range of information on the current levels of settlement in outside employment (for example, indices for various sectors of industry provided by the Department of Employment). This is however an area of judgement in which the AFPRB has to rely on the broad experience of its members, two of whom are distinguished industrialists, and you will wish to stress the importance of this judgement being realistic. The latest DEEm figures show that the average level of private sector settlements had fallen again to 10½% in mid-December (compared with 11½% in November and 13% in October). Most of the settlements recorded so far were in manufacturing industry, where the average level was just above 10%. This is not far from the CBI's Pay Data bank (of medium sized manufacturing companies) which showed an average of 10.6% in December;

- c) in the final adjustment to take account of fringe benefits and the comparison with civilian life, the AFPRB could be encouraged to take full account of current circumstances in outside employment.

Economic and financial factors

6. The Government's primary economic aim is to combat inflation. To that end it is determined to secure a progressive reduction in monetary growth and to pursue firm fiscal policies consistent with that course.

Financial pressures on employers are severe and (as indicated above) are already producing a downward trend of pay settlements in both the public and private sectors. The Forces pay settlement must be set at a responsible level both because of its impact on public expenditure (this is strengthened by the impact of the recession in forcing up the PSBR, one factor in the current overspending); and because it is necessary for the Government to demonstrate that it is not immune from the financial pressures which limit the ability of all employers to finance pay increases at the present time, and that it does not expect the burden of adjustment to fall upon the private sector alone.

7. At your lunch with the TSRB on 10 November, Sir Harold Atcherley said that the Review Bodies would lose their credibility if they began to take into account general economic considerations. He considered that they could spell out some of the wider considerations which the Government might have to take into account in reaching a decision on their recommendations, but they could not base their recommendations on these considerations. You may wish to point out that Review Bodies have to maintain credibility, not only with their client groups, but with the public as a whole: refusing to take any account of economic factors in reaching their recommendations is a sure way of losing that credibility. It is not going to be easy for the AFPRB to reach the correct balance, given the conflicts involved: nonetheless you may wish to stress the Government's view that the AFPRB should take account of economic and financial factors wherever possible, rather than simply noting them passively.

Number of Redundancy Payments made under The Redundancy Payments Act 1965 (Now incorporated in the Employment Protection (Consolidation) Act 1978) and the Number of Government workers involved.

S.I.C. Order Number and Industries	Year Ended 1968	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
I Agriculture, Forestry and Fishing	4,666	4,504	5,409	4,313	3,112	3,038	4,334	4,742	3,743	3,577	3,316	
II Mining and Quarrying	15,930	9,500	6,999	9,351	9,773	8,435	7,469	6,712	7,254	4,353	4,532	
III Food, Drink and Tobacco	8,600	12,417	16,972	12,759	10,107	10,416	14,498	12,379	10,674	16,167	12,476	
IV Coal and Petroleum Products	3,666	680	783	1,008	1,627	430	755	1,067	743	570	694	
V Chemicals and Allied Industries	7,341	5,942	10,061	9,697	5,352	3,235	7,043	6,605	5,128	5,217	5,716	
VI Metal Manufacture	24,555	7,630	21,749	14,767	5,291	6,705	12,328	14,848	9,796	17,735	17,121	
VII Mechanical Engineering	10,912	20,740	43,260	38,557	16,204	12,817	28,615	22,817	19,632	18,466	25,734	
VIII Instrument Engineering	4,559	2,923	4,462	4,565	1,968	1,609	3,529	2,707	2,060	2,512	1,761	
IX Electrical Engineering	9,155	15,448	22,875	18,603	5,773	7,558	26,327	24,861	15,835	14,508	14,124	
X Shipbuilding and Marine Engineering	5,664	4,033	4,696	7,077	3,323	2,873	2,248	4,659	4,008	5,045	3,227	
XI Vehicles	5,165	15,173	28,253	16,546	7,318	9,410	31,538	20,619	6,906	8,795	11,823	
XII Metal Goods not elsewhere specified	5,525	7,205	11,935	11,919	6,113	5,188	13,829	10,879	7,768	8,282	9,425	
XIII Textiles	7,367	16,971	22,301	15,034	6,069	7,474	19,766	13,080	11,855	12,309	14,533	
XIV Leather, Leather Goods and Fur	3,602	1,271	1,056	1,180	488	987	889	1,145	796	1,571	2,038	
XV Clothing and Footwear	5,388	7,292	7,857	7,315	4,223	4,314	11,431	10,649	10,014	7,707	5,209	
XVI Bricks, Pottery, Glass, Cement etc	5,484	8,322	8,011	6,796	3,372	5,665	11,533	6,116	5,010	3,837	4,300	
XVII Timber, Furniture etc	20,233	7,570	6,295	4,612	2,623	5,868	7,250	6,126	6,043	4,717	3,847	
XVIII Paper, Printing and Publishing	4,719	8,669	14,974	9,189	6,074	6,228	11,351	9,182	6,854	5,940	6,807	
XIX Other Manufacturing Industries	9,191	5,626	9,221	6,906	3,843	3,326	9,303	5,227	3,583	5,546	8,072	
XX Construction	31,734	42,392	39,147	27,296	18,706	24,654	43,824	47,721	52,625	36,486	29,062	
XXI Gas, Electricity and Water	4,615	9,163	14,546	7,635	4,566	3,523	4,716	7,113	4,640	2,531	1,748	
XXII Transport and Communication	7,018	11,001	14,949	15,352	9,688	8,207	13,531	13,745	12,441	10,227	10,497	
XXIII Distributive Trades	19,822	26,427	27,580	23,962	18,949	18,601	25,900	30,570	28,852	30,246	28,533	
XXIV Insurance, Banking, Finance & Business Services	1,573	2,875	5,524	4,280	3,684	3,960	7,403	5,871	5,408	5,214	3,416	
XXV Professional and Scientific Services	1,449	3,116	4,580	3,107	2,542	2,390	4,101	4,951	5,068	5,001	4,207	
XXVI Miscellaneous Services	7,130	15,836	13,077	11,672	9,896	11,226	14,100	15,702	14,886	13,466	12,624	
XXVII Public Administration and Defence	600	824	1,351	930	601	1,358	920	1,500	3,587	3,496	2,131	
TOTAL	235,663	273,550	367,836	293,536	174,355	180,125	338,654	311,647	265,229	253,593	253,275	
Number of Government Employees*	2,627	2,013	2,385	2,594	2,564	2,036	1,558	2,061	2,005	1,891	319	
TOTAL	238,290	275,563	370,221	296,130	176,919	182,161	340,212	313,708	267,234	255,484	253,594	

* Covers civil servants, NHS employees, civilian employees of the police & armed forces.

Top Copy
Nad Health, Doctors +
Ref: A04015 ~~Armed~~
Dentist Pay

CONFIDENTIAL

PRIME MINISTER

Your discussion with Lord Plowden yesterday took a turn which made it unnecessary for the draft letter (which you showed to him) to be considered further, at any rate for the time being, in the context of the Top Salaries Review Body.

2. You are, however, to see the Chairmen of the other two Review Bodies next week, and I expect that you will want to have by you draft letters which you can show to them.

3. I therefore attach revised versions of the draft letters to the Chairmen of the Doctors and Dentists Review Body (Sir Robert Clark) and the Armed Forces Review Body (Sir Harold Atcherley).

4. The draft letter for Sir Robert Clark follows closely the draft letter prepared for Lord Plowden.

5. The draft letter for Sir Harold Atcherley presents a more difficult problem. The Government is adhering to its commitment on Armed Forces pay, and is prepared to adjust the pay factor in the Ministry of Defence's cash limits to accommodate the commitment. The problem is to reconcile with that a request to the Review Body to have regard to the current levels of settlements in the private sector and to the implications for other public services of the pay factors which the Government is imposing on their cash limits. The fifth paragraph of the draft letter to Sir Harold Atcherley represents an attempt to resolve that problem.

6. I am sending copies of this minute and of the draft letters to the Lord Chancellor, the Chancellor of the Exchequer, the Lord President, the Secretary of State for Defence and the Secretary of State for Social Services.

ROBERT ARMSTRONG

(Robert Armstrong)

16th January 1981

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DRAFT LETTER TO SIR ROBERT CLARK

I thought that it might be useful if, following our discussion on January, I put on record what I said to you about the Government's general policies and their bearing, as we see it, upon the work of the Doctors and Dentists Review Body under its standing terms of reference.

The Government's overriding priority is the reduction of inflation. We seek to achieve this by means of a progressive reduction in monetary growth. If we are to succeed in that, we must continue to limit as strictly as we can, and to reduce wherever possible, the demands which the public sector makes upon the rest of the economy.

You will know that the economic recession, and the financial constraints that accompany it, have meant not only a severe loss of jobs in industry but also a substantial reduction in the rate of pay increases paid to those in industrial employment. Those constraints do not operate directly upon the public services, but it is no less important that the rate of pay increases should be moderated in the public sector than in the private sector. For the public services - the Civil Service and the National Health Service, and local government - and for the grant to the Universities, we are imposing cash limits which are intended to ensure that pay increases this year are kept within levels which the country can reasonably be asked to afford. At a time when many workers in industry are having to accept modest pay increases or even no increases at all, we believe that those who work in the public services should also be, and will be, prepared to accept the need for a considerable degree of restraint.

This applies to the pay of those who come within the Review Body's remit no less than to that of others in the public services concerned. Indeed, it would not in the Government's

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view be unreasonable for the Review Body, in considering their recommendations for doctors and dentists in the National Health Service, to have regard to the level of increases which the cash limits imply for other groups in the National Health Service.

My colleagues and I hope that the Review Body will take full account of these considerations, including the cash limits set for the National Health Service, in formulating their recommendations.

Apart from whatever recommendations the Review Body may think it right to make as a result of their review, I asked you whether the Review Body would be willing, if so requested, to give advice on the appropriate distribution of a hypothetical sum which would derive from a given average increase for doctors and dentists in the National Health Service. [After consulting your colleagues] you were able to let me know that the Review Body would be ready to respond to such a request, if I thought it necessary to make it.

CONFIDENTIAL

1st Draft
DRAFT LETTER TO SIR HAROLD ATCHERLEY

I thought that it might be useful if, following our discussion on January, I put on record what I said to you about the Government's general policies and their bearing, as we see it, upon the work of the Armed Forces Review Body under its standing terms of reference.

The Government remains committed to maintaining the pay of members of the Armed Forces at levels comparable with their civilian counterparts and to strengthening the nation's defences.

At the same time our overriding economic priority is the reduction of inflation. We seek to achieve this by means of a progressive reduction in monetary growth. If we are to succeed in that, we must continue to limit as strictly as we can, and to reduce wherever possible, the demands which the public sector makes upon the rest of the economy.

You will know that the economic recession, and the financial constraints that accompany it, have meant not only a severe loss of jobs in industry but also a substantial reduction in the rate of pay increases paid to those in industrial employment. Those constraints do not operate directly upon the public services, but it is no less important that the rate of pay increases should be moderated in the public sector than in the private sector. For the public services - the Civil Service and the National Health Service, and local government - and for the grant to the Universities, we are imposing cash limits which are intended to ensure that pay increases this year are kept within levels which the country can reasonably be asked to afford. At a time when many workers in industry are having to accept modest pay increases or even no increase at all, we believe that those who work in the public services should also be, and will be, prepared to accept the need for a considerable degree of restraint.

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The Review Body's standing terms of reference require them to recommend up-to-date military salaries based on the levels of appropriate outside earnings. I suggested to you that on this occasion the Review Body should consider whether it is right or sufficient to rely solely on the normal techniques of comparability, based on comparisons over the period since the last review, at a time like the present when, because of the constraints I have described, the levels at which pay claims in industry are being settled have been falling very significantly in the last few months and people in other public services are being asked to accept settlements within the levels implied by the cash limits which we are imposing. At such a time, it seems to us, it may be right for the Review Body to pay more attention than might seem appropriate in other circumstances to current levels of settlements both in the private sector and in other public services, as a reflection of the constraints within which the pay of the usual comparators is now having to be determined, and indeed to the relative job security which members of the Armed Forces enjoy in contrast to many of those comparators.

My colleagues and I hope that the Review Body will feel able in formulating their recommendations to take full account of these considerations as well as of the factors which regularly enter into their reviews.

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*Revised
Draft*

DRAFT LETTER TO SIR HAROLD ATCHERLEY

I thought that it might be useful if, following our discussion on January, I put on record what I said to you about the Government's general policies and their bearing, as we see it, upon the work of the Armed Forces Review Body under its standing terms of reference.

The Government remains committed to maintaining the pay of members of the Armed Forces at levels comparable with their civilian counterparts and to strengthening the nation's defences.

At the same time our overriding economic priority is the reduction of inflation. We seek to achieve this by means of a progressive reduction in monetary growth. If we are to succeed in that, we must continue to limit as strictly as we can, and to reduce wherever possible, the demands which the public sector makes upon the rest of the economy.

You will know that the economic recession, and the financial constraints that accompany it, have meant not only a severe loss of jobs in industry but also a substantial reduction in the rate of pay increases paid to those in industrial employment. Those constraints do not operate directly upon the public services, but it is no less important that the rate of pay increases should be moderated in the public sector than in the private sector. For the public services - the Civil Service and the National Health Service, and local government - and for the grant to the Universities, we are imposing cash limits which are intended to ensure that pay increases this year are kept within levels which the country can reasonably be asked to afford. At a time when many workers in industry are having to accept modest pay increases or even no increase at all, we believe that those who work in the public services should also be, and will be, prepared to accept the need for a considerable degree of restraint.

CONFIDENTIAL

CONFIDENTIAL

The Review Body's standing terms of reference require them to recommend up-to-date military salaries based on the levels of appropriate outside earnings. I suggested to you that on this occasion the Review Body should, in applying the techniques of comparability, pay particular attention to the levels at which pay claims in industry are currently being settled: because of the constraints which I have described these have been falling very significantly in the last few months and people in other public services are being asked to accept settlements within the levels implied by the cash limits which we are imposing. At such a time, it seems to us, it is essential for the Review Body to take a realistic view of the likely movement of earnings during the latter part of the period under review. I asked you also to give full weight to the current recruitment and retention figures, as well as to the relative job security and other benefits which members of the Armed Forces enjoy in contrast to many of their comparators.

My colleagues and I hope that the Review Body will feel able in formulating their recommendations to take full account of these considerations as well as of the factors which regularly enter into their reviews.


CONFIDENTIAL

DRAFT LETTER TO SIR HAROLD ATCHERLEY

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CONFIDENTIAL



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My colleagues and I hope that the Review Body will feel able in formulating their recommendations to take full account of these considerations as well as of the factors which regularly enter into their reviews.

CONFIDENTIAL

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DRAFT LETTER TO SIR ROBERT CLARK

I thought that it might be useful if, following our discussion on January, I put on record what I said to you about the Government's general policies and their bearing, as we see it, upon the work of the Doctors and Dentists Review Body under its standing terms of reference.

The Government's overriding priority is the reduction of inflation. We seek to achieve this by means of a progressive reduction in monetary growth. If we are to succeed in that, we must continue to limit as strictly as we can, and to reduce wherever possible, the demands which the public sector makes upon the rest of the economy.

You will know that the economic recession, and the financial constraints that accompany it, have meant not only a severe loss of jobs in industry but also a substantial reduction in the rate of pay increases paid to those in industrial employment. Those constraints do not operate directly upon the public services, but it is no less important that the rate of pay increases should be moderated in the public sector than in the private sector. For the public services - the Civil Service and the National Health Service, and local government - and for the grant to the Universities, we are imposing cash limits which are intended to ensure that pay increases this year are kept within levels which the country can reasonably be asked to afford. At a time when many workers in industry are having to accept modest pay increases or even no increases at all, we believe that those who work in the public services should also be, and will be, prepared to accept the need for a considerable degree of restraint.

This applies to the pay of those who come within the Review Body's remit no less than to that of others in the public services concerned. Indeed, it would not in the Government's

CONFIDENTIAL

view be unreasonable for the Review Body, in considering their recommendations for doctors and dentists in the National Health Service, to have regard to the level of increases which the cash limits imply for other groups in the National Health Service.

My colleagues and I hope that the Review Body will take full account of these considerations, including the cash limits set for the National Health Service, in formulating their recommendations.

Apart from whatever recommendations the Review Body may think it right to make as a result of their review, I asked you whether the Review Body would be willing, if so requested, to give advice on the appropriate distribution of a hypothetical sum which would derive from a given average increase for doctors and dentists in the National Health Service and, as usual, on the amounts to be reimbursed to general medical practitioners in respect of practice expenses. [After consulting your colleagues] you were able to let me know that the Review Body would be ready to respond to such a request, if I thought it necessary to make it.

CONFIDENTIAL

Top Copy:

Nat Health Pt 2, Doctors +

MINISTRY OF DEFENCE Dentists Pay
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~907082~~ 218 2111/3



MO-4/6/2

19th January 1981

Dear Prime,

With his minute of 16th January to the Prime Minister Sir Robert Armstrong submitted draft letters to the Chairmen of the DDRB and the AFPRB.

There is one passage in the draft letter to the AFPRB which my Secretary of State feels could be strengthened. The normal techniques of comparability applied by the AFPRB do allow for the current level of settlements outside to be taken fully into account - and what the letter is, of course, concerned with is that these assessments should be wholly realistic. Attached to this note is a suggested re-draft of the last page of the draft letter to make this clear. This would also avoid - especially in what may be a published document - the suggestion that we are trying to influence the Review Body to depart from its normal processes, which is likely to be resisted by the Review Body itself.

I am copying this to the Private Secretaries to the Lord Chancellor, the Chancellor of the Exchequer, the Lord President and the Secretary of State for Social Services, and to the Private Secretary to Sir Robert Armstrong.

Yours
D B Omand

(D B OMAND)

T P Lankester Esq

CONFIDENTIAL

CONFIDENTIAL

The Review Body's standing terms of reference require them to recommend up-to-date military salaries based on the levels of appropriate outside earnings. I suggested to you that on this occasion the Review Body should, in applying the techniques of comparability, pay particular attention to the levels at which pay claims in industry are being settled: because of the constraints which I have described these have been falling very significantly in the last few months and people in other public services are being asked to accept settlements within the levels implied by the cash limits which we are imposing. At such a time, it seems to us, it is essential for the Review Body to take a realistic view of the likely movement of earnings during the latter part of the period under review. I asked you also to give full weight to the current recruitment and retention figures, as well as to the relative job security and other benefits which members of the Armed Forces enjoy in contrast to many of their comparators.

My colleagues and I hope that the Review Body will feel able in formulating their recommendations to take full account of these considerations as well as of the factors which regularly enter into their reviews.

Top Copy :
Econ Pol, TSRB, P2.

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PRIME MINISTER

Letters to Chairmen of Pay Review Bodies
(E(81) 4 - and the Lord Chancellor's minute
to you of 12th January)

BACKGROUND

It was agreed at the meeting on 16th December (E(80) 44th Meeting, Item 1) that the Government should adopt a three-pronged approach to try to persuade the Pay Review Bodies to produce more acceptable findings this year. This would involve meetings with the individual chairmen, to be followed up by letters, and also the submission of written Government evidence on the economic situation. The Committee was particularly anxious to have an opportunity to discuss the texts of the letters against the possibility of their publication. Drafts for the letters to the three different Review Bodies are attached to the paper. They may of course need some amendment before despatch to take account of the course of discussion at the meetings with the Chairmen.

2. You have decided to meet the Chairmen yourself at separate meetings, and to be accompanied by the Chancellor of the Exchequer on each occasion, together with the relevant Departmental Minister. The first meeting with Lord Plowden for the Top Salaries Review Body is on the 15th, and the others follow on about the 20th-21st January.

3. In this operation there is a difficult path to be trodden between saying enough to influence the bodies towards more moderate recommendations, while not appearing to question their independence of view. When you had lunch with the TSRB before Christmas, there were signs of a fairly robust approach on their part, and it will be important that the tone of the letter to them does not cause them to adopt a hard-line position. The DDRB and the AFPRB are also touchy and need careful handling.

4. The letters assume that the Government will wish to ask the TSRB and the DDRB to help in allocating a fixed sum of money, based on an average increase of about 6 per cent (or whatever other cash limit is adopted by E).

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This follows up a suggestion from your previous meeting with the TSRB, when they offered to allocate a fixed sum, if their original recommendation proved unacceptable. You may have to work harder to get the DDRB to undertake a similar task, though the remuneration package is complex and the help of the Review Body in deciding upon distribution would be of great value.

5. The AFPRB is to be asked, in fulfilment of the Government's commitment, to recommend up-to-date military salaries based on the levels of appropriate outside earnings - but to be mindful of the importance of not widening the transition to cover levels of inflation and of the relative job security enjoyed by members of the Armed Forces.

6. You may also want to use this meeting to obtain the Committee's view on whether they are prepared to see the Judiciary exempt from the pay cash limit constraint in the interest of maintaining quality (see the Lord Chancellor's minute to you of 12th January). This need not necessarily involve asking for a separate report on them - at any rate this time round - but it would be helpful if you could forewarn Lord Plowden of the Government's intention. It is a matter of choice whether any such decision needs to be referred to in your present letter; but I think that it would probably be better to deal with it separately.

HANDLING

7. You might ask the Chancellor of the Exchequer who will be involved in all the meetings, to introduce the draft letters, and then hear comments from colleagues, starting with the Departmental Ministers principally involved, the Lord President, the Secretary of State for Defence and the Secretary of State for Social Services.

CONCLUSION

8. You will want to seek approval to the general approach to be adopted in the letter with detailed drafting left for consideration with the Ministers primarily concerned - or in the Sub-Committee on Public Service Pay (E(PSP) - when the meetings have taken place. You will also want to record a specific conclusion in favour of publication of the letters at some suitable time (with tactical handling reserved for you). You may also wish to record a conclusion on the pay of the Judiciary.

ROBERT ARMSTRONG

(Robert Armstrong)

13th January 1981



Defence.

10 DOWNING STREET

From the Private Secretary

29 September 1980

London Weighting for
Members of H.M. Forces

The Prime Minister has now had an opportunity to consider your letter of 22 September, and agrees that the Review Body's recommendations should be accepted. Accordingly, she has written to Sir Harold Atcherley in the terms of the draft which you sent.

I am sending copies of this letter to John Wiggins (HM Treasury), Jim Buckley (Civil Service Department), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

T. P. LANKESTER

D.B. Omand, Esq.,
Ministry of Defence.

KTP



10 DOWNING STREET

THE PRIME MINISTER

29 September 1980

Thank you for your letter of 11 September recommending increases in the rates of London Weighting for members of the Armed Forces.

The Government has now considered your Review Body's recommendations and agrees that the proposed new rates of London Weighting should be introduced with effect from 1 April 1980.

I do not think it is necessary to make any special announcement about this and action is now in hand by the Ministry of Defence to implement the new rates.

Sir Harold Atcherley

cc: MOD

SP
22/9

HWT

CSD

DFWP

CO

DFWP



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~XXXXXX~~ 218 2111/3

Prime Minister

MO 4/4

The Review Body's 22nd September 1980
recommendation on London
weighting (Flag A) has been agreed
by Departments. Attached at Flag B

Dear Tim, is a letter for you to send to
Sir Harold Atcherley.

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

R 22/9

Clive Whitmore's letter of 11th September sought advice on a letter from Sir Harold Atcherley giving the recommendations of the Armed Forces Pay Review Body on increases in London Weighting for members of the Armed Forces.

We have now consulted the other Departments concerned and there is full agreement that the Review Body's recommendations should be accepted. The new rates of London Weighting for the Armed Forces are consistent with the increases recently agreed for the Civil Service, being based on the same Department of Employment indices but subject to the modifications described in paragraph 2 of Sir Harold's letter. The cost of the increases will be contained within the revised MOD cash limit announced in Parliament on 8th August.

My Secretary of State therefore recommends the Prime Minister to accept the Review Body's recommendations and to write to Sir Harold Atcherley accordingly as in the attached draft letter.

No special announcement will be made, and the MOD will implement the increases by administrative action.

I am copying this letter to John Wiggins (Treasury), Jim Buckley (CSD), Richard Dykes (Department of Employment) and David Wright (Cabinet Office).

Yours ever,
David Omand
(D B OMAND)

T P Lankester Esq

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Defence

10 DOWNING STREET

From the Principal Private Secretary

11 September 1980

Dear Brian,

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

The Prime Minister has received the attached letter from Sir Harold Atcherley setting out the recommendations of the Armed Forces Pay Review Body on increases in London Weighting for members of the Armed Forces.

I should be grateful if you could let us have advice on the Review Body's proposals, together with a draft reply for the Prime Minister to send to Sir Harold Atcherley. No doubt you will consult other Departments as necessary.

I am sending copies of this letter and of the attachment to John Wiggins (Treasury), Jim Buckley (CSD), Richard Dykes (D/Employment) and David Wright (Cabinet Office).

Yours ever,

Steve Whitman.

B.M. Norbury, Esq.,
Ministry of Defence.

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OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

2, A

Prime Minister.

Telephone 01-405 5944

This seems straightforward
and no doubt the advice of
departments, which I have asked
for, will be to accept the
Review Body's recommend-
ation.

11 September 1980

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW 1

Dear Prime Minister,

MS

bth
11/x.

LONDON WEIGHTING FOR MEMBERS OF HM FORCES

The Ministry of Defence has recently submitted evidence to us proposing an increase in London weighting for members of the armed forces in line with the established Department of Employment indices and with effect from 1 April 1980. The publication dates for the relevant indices are such that this matter could not be dealt with earlier in the year as part of our Ninth Report and Supplement and we see it as appropriate to make our recommendations on this relatively minor issue, that affects relatively few servicemen and women, by letter rather than in a further supplementary report.

The form of London weighting that applies in the armed forces was introduced in 1974, following recommendations made in the Second Supplement to our Third Report¹. It is based on the approach to London weighting proposed in an advisory report by the Pay Board in 1974², modified to take account of certain conditions that are peculiar to the armed forces. As a result, elements that recognise the additional costs of housing and travel to work are excluded: in general, they are not appropriate to the armed forces because the Services provide accommodation in London at charges that are standardised throughout the country and also reimburse some of the costs of travel to work. The basic rates of London weighting for members of the armed forces recognise, therefore, the remaining elements of the Pay Board formula that cover "other costs" and "wear and tear and lower housing standards". Higher rates are payable to servicemen and women who are owner-occupiers and who travel daily from their homes to work in London, thus incurring additional housing costs in the same way as owner-occupiers outside the Services.

On the basis of the method recommended by the Pay Board, adapted to the circumstances of the armed forces, we endorse the proposals put forward by the Ministry of Defence and recommend that the following rates of London weighting should be introduced with effect from 1 April 1980:

¹Review Body on Armed Forces Pay, Second Supplement to Third Report 1974, Cmnd 5853, January 1975.

²Pay Board Advisory Report 4, London Weighting, Cmnd 5660, July 1974.

././.

1/11 SEP 1990

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UNIVERSITY OF CALIFORNIA
LIBRARY
100 S. UNIVERSITY AVENUE
LOS ANGELES, CALIF. 90024



- 2 -

	Inner London £	Outer London £
Basic rate	453	252
Owner-occupier rate	712	365

We estimate that the additional costs involved in these recommendations are £1.04m.

Yours sincerely,
Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

Defence



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Medical Officers in the Armed Forces

This is just record, belatedly, that when she was preparing her statement on MPs' and Ministers' pay last Monday the Prime Minister agreed that we should accept the proposals in the supplement to the AFPRB's Ninth Report and, as you proposed in your minute AO2537 of 4 July 1980, announce this decision by Written Answer to an Arranged Question.

I am sending copies of this minute to Mr. Norbury (MOD) and Mr. Buckley (CSD).

JAW

KRB

10 July 1980



10 DOWNING STREET

THE PRIME MINISTER

9 July 1980

Dear Sir Harold.

Thank you for your letter of 20 June with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers. I am most grateful to you and to the members of the Review Body for this further comprehensive report.

I am writing now to say that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a written answer in the House of Commons today. The Supplement to the Ninth Report will be published at the same time as Command 7956.

Yours sincerely
Margaret Thatcher

Sir Harold Atcherley

MS



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7032~~ 218 2111/3

MO 4/4

8th July 1980

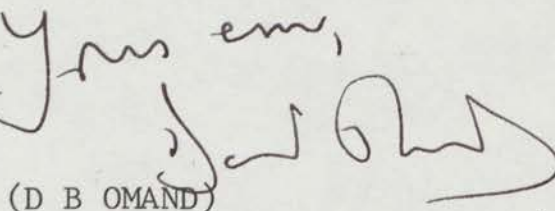
Dear Nick,

SERVICE MEDICAL AND DENTAL OFFICERS PAY

I have just read yesterday's Hansard and see that there is in fact no mention of the new pay rate for Medical and Dental Major Generals and their equivalent in the other Services. Since the publication tomorrow of the Supplement to the Ninth Report of the AFPRB will show the Medical Brigadier as earning more than the Combatant Major General you might like to consider adding the following additional paragraph to the draft Written Answer which I provided earlier today.

X/ In order to preserve a differential over the pay of the Brigadier, the pay of Medical and Dental Major Generals and their equivalents in the other Services has been fixed at £21,500. As I announced on 7~~th~~ July, the pay of all Lieutenant Generals and their equivalents will be £24,500⁰⁰⁰X

I am copying this letter to David Wright, Cabinet Office.

Yours em,

(D B OMAND)

N Sanders Esq

9 JUL 1980



UNITED STATES DEPARTMENT OF DEFENSE
OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~8307822~~ 218 2111/3

MO 4/4

8th July 1980

Dear Nick,

MEDICAL OFFICERS IN THE ARMED FORCES

We spoke this morning about the recommendation in Sir Robert Armstrong's minute of 4th July to the Prime Minister about the timing of an announcement of the Government's acceptance of the recommendations of the Armed Forces Pay Review Body in a supplement to its 9th Report on Service Medical and Dental Officers. We agreed that it would now be appropriate for the announcement to be made by Written Answer to a Question which you would arrange to be put down for answer tomorrow, Wednesday.

/ I attach a suitable draft Question and Answer, and
/ also the draft of a letter which it is recommended the Prime Minister should write to the Chairman of the AFPRB, Sir Harold Atcherley.

I am sending copies of this letter to Martin Hall (HM Treasury), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security), Richard Prescott (the Paymaster General's Office) and to David Wright (Cabinet Office),

Yours ever,
David Omand

(D B OMAND)

N J Sanders Esq



QUESTION

To ask the Prime Minister if she will make a statement about the pay of Medical and Dental Officers in the Armed Forces.

A N S W E R

Secretary of State

Following its earlier acceptance in full of the recommendations of the Ninth Report of the Armed Forces Pay Review Body, and of the Tenth Report of the Review Body on Doctors' and Dentists' Remuneration, the Government has now accepted the recommendations in the Supplement to the AFPRB's Ninth Report for the pay of Service Medical and Dental Officers appropriate from 1st April 1980.

The Supplement has been published today as Command 7956. Copies are available in the Vote Office.



DRAFT LETTER TO SIR HAROLD ATCHERLEY

Thank you for your letter of 20th June with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers. I am most grateful to you and to the members of the Review Body for this further comprehensive report.

2. I am writing now to say that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a written answer in the House of Commons ~~on Wednesday 9th July~~ ^{today:} The Supplement to the Ninth Report will be published at the same time as Command 7956.

CONQUEROR



CONFIDENTIAL

- 8 JUL 1960

1 2 3 4 5 6 7 8 9 10 11 12





Prime Minister
 Agree to proceed by
 Written Answer?

Ref: A02537

Yes not
 Svi

PRIME MINISTER

Medical Officers in the Armed Forces

1. In the light of the increases recommended by the Doctors and Dentists Review Body for National Health Service Doctors and Dentists, the Armed Forces Pay Review Body (AFPRB), in a supplement to its Ninth Report, has recommended increases averaging 18.8 per cent in the pay of Service Medical and Dental Officers up to the level of Brigadier and equivalent. It is these recommendations which necessitate a special rate for Medical Major-Generals and equivalent, who have hitherto been brigaded for salary purposes with their "combatant" equivalents and with Under Secretaries. The salary recommended by the AFPRB for the Medical Brigadiers is £21,000. The salary proposed for the "Combatant" ^{Major Generals} Brigadiers and Under Secretaries is £20,500. In order to retain a differential, the Cabinet has approved a salary of £21,500 for Medical Major Generals and equivalent.

2. The Government is committed to implementing the recommendations of the AFPRB, and the Ministry of Defence, with Civil Service Department concurrence, are recommending acceptance of the supplement to be the Ninth Report covering ranks of Medical Brigadier and below.

3. If you accept that recommendation, the question will be when and how to announce that acceptance. It would not be appropriate to deal with it in your statement on Monday - partly because these are ~~not~~ top salaries, and partly because the treatment proposed contrasts so markedly with that proposed for top salaries. It will therefore have to be announced by



Written Answer to an arranged Question at some later date. It should not be too much later, since the detailed material to be placed in the Library after your statement on Monday will include (on present plans) the new rates for Medical Major-Generals and equivalent, and some one will eventually notice that they are doing better than their "combatant" equivalents and start asking why.

4. I am sending copies of this minute to the Secretary of State for Defence and the Lord President of the Council.

RA

ROBERT ARMSTRONG

4 July 1980

RESTRICTED



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

30 June 1980

4/4

David Omand Esq
Private Secretary to the Secretary
of State for Defence
Main Building
Whitehall
LONDON SW1A 2HB

Dear David,

REVIEW BODY ON ARMED FORCES PAY -
SERVICE MEDICAL AND DENTAL OFFICERS

Thank you for your letter of 27 June.

The Lord President's view is that this must
await tomorrow's discussion.

I am copying this to Martin Hall (HM Treasury),
Richard Dykes (Department of Employment),
Don Brereton (Department of Health and Social
Security), Richard Prescott (the Paymaster
General's Office) and to David Wright
(Cabinet Office).

Yours sincerely
Jim Buckley

J BUCKLEY

RESTRICTED

Turn, 12. Defence
To note postponement of PM's announcement.
AJ.

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MANAGEMENT IN CONFIDENCE

MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-3300222X 218 2111/3



MO 4/4

27th June 1980

Dear Jim,

REVIEW BODY ON ARMED FORCES PAY -
SERVICE MEDICAL & DENTAL OFFICERS

My Secretary of State has seen Tim Lankester's note of 20th June covering the Supplement to the Ninth Report of the AFPRB which recommends levels of military salaries for the Services medical and dental officers. There is nothing in the Supplement to which he would object.

The average increase recommended is 18.8%, which corresponds closely to the figure of 18.7% for doctors in the National Health Service (the pay of Service doctors and dentists is based on the earnings of the NHS General Medical Practitioners). As Sir Harold Atcherley has indicated - and as the Government agreed last year - the commitment to the Armed Forces extends to the medical and dental branches as to all the others covered by the AFPRB; and Mr Pym considers that we have no alternative but to accept the recommendations of the Supplement in full. He would, therefore, like to announce the Government's decision without delay - recognising that the level of salary recommended for the medical Brigadier will need to be taken into account in the Cabinet's forthcoming discussion of Top Salaries. He would ask for the extra cost of the award (about £1M) to be covered in the adjustment of the Department's cash limit, in accordance with his earlier agreement with the Chief Secretary on Armed Forces pay.

Mr Pym hopes that Ministers can agree to accept the Supplement without discussion, as they did last year. If so, he would aim for an announcement (by the Prime Minister since the Report was made to her) in the week beginning 30th June in the

1

J Buckley Esq

CONFIDENTIAL

MANAGEMENT IN CONFIDENCE

CONFIDENTIAL
MANAGEMENT IN CONFIDENCE



/ terms of the enclosed draft (written) Parliamentary Question
and Answer. I also enclose a draft of a letter which the
/ Prime Minister could send to Sir Harold Atcherley.

I am copying this to Martin Hall (HM Treasury), Richard
Dykes (Department of Employment), Don Brereton (Department of
Health and Social Security), Richard Prescott (the Paymaster
General's Office) and to David Wright (Cabinet Office).

Yours ever,
David Omand

(D B OMAND)

WRITTEN

Q STION

To ask the Prime Minister if she will make a statement about the pay of Medical and Dental Officers in the Armed Forces.

ANSWER

Secretary of State

The Supplement to the Ninth Report of the Armed Forces Pay Review Body covering the pay of Service Medical and Dental Officers has been published today as Command [] . Copies are available in the Vote Office.

The Government accepts the Review Body's recommendations on the levels of military salary for Service Medical and Dental Officers appropriate at 1 April 1980. These will be implemented in full from 1 April 1980 in line with the Government's commitment to maintain the pay of the Armed Forces at fully up-to-date levels.

DRAFT LETTER TO SIR HAROLD ATCHERLEY

Thank you for your letter of 20 June with which you forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service medical and dental officers. I am most grateful to you and to the members of the Review Body for this further comprehensive report.

2. I am writing now to say that the Government has accepted the Review Body's recommendations in full. I will be announcing this decision by means of a written answer in the House of Commons on Thursday, 3rd July. The Supplement to the Ninth Report will be published at the same time as Command .

2 - JUL 1960



PRIME MINISTER

2
Defence

Armed Forces Doctors' and Dentists' Pay

We have now received the Report of the Armed Forces Review Body on the pay of Service medical and dental officers. This group had their pay brought fully up to date last year along with the armed forces generally. In contrast to the civilian doctors and dentists, this year's settlement therefore involves only uprating.

The Report recommends increases in pay which would add 18.8% to the pay bill - compared with 18.7% for this year's uprating for their civilian counterparts.

This appears to be fairly straightforward, and I imagine the Treasury, CSD and MOD will agree that the recommendations should be implemented. However, I will of course get their advice.

12

20 June 1980



6/f 26.6.80. *Reference* *ds*

10 DOWNING STREET

From the Private Secretary

20 June 1980

Dear Brian.

Review Body on Armed Forces Pay

The Prime Minister has now received the enclosed letter from Sir Harold Atcherley together with the Supplement to the Ninth Report of the Review Body on Armed Forces Pay. This, as you know, covers the pay of Service medical and dental officers.

I should be grateful if you would provide advice on the substance and handling of this Report - in consultation with other departments as necessary.

I am sending a copy of this letter and enclosure to Martin Hall (HM Treasury), Jim Buckley (Lord President's Office), Richard Dykes (Department of Employment), Don Brereton (Department of Health and Social Security) and David Wright (Cabinet Office). No doubt you and other copy recipients can get copies of the Report from the Office of Manpower Economics as necessary.

Yours ever,

Tim Landon

Brian Norbury, Esq.,
Ministry of Defence.

ds



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

R. 25/6

20 June 1980

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I enclose a Supplement to the Ninth Report; it contains our recommendations on the military salaries for medical and dental officers in the armed forces up to Brigadier and equivalent. These recommendations complete our 1980 review of the pay of those members of the armed forces who are within our terms of reference and they are appropriate to 1 April 1980.

As with our consideration of the pay of combatant officers, we have been concerned in this review with the need to retain adequate numbers of medical and dental officers to meet the needs of the Services. As before, we regard the Government's commitment to keep armed forces pay up to date as of crucial importance in this context. However, we also see certain problems about the provision of realistic retention incentives in the existing structure and pattern of remuneration in the medical and dental branches. We shall be pursuing this aspect further in a future review.

Yours sincerely

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

CONFIDENTIAL

20 JUN 1980



UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Tuesday 29 April 1980

(Answered by the Prime Minister on 29 April)

UNSTARRED Mr. Robert Hicks:

NO. 128 To ask the Prime Minister, if she will make a statement about the pay of the Armed Forces.

The Armed Forces Pay Review Body has submitted its Ninth Report on Armed Forces pay. Copies are available in the Vote Office and I will arrange for it to be published as a Command Paper as soon as possible. The report covers the pay of all ranks up to and including Brigadier except Service Doctors and Dentists.

The Government have accepted the Review Body's recommendations in full in line with the commitment they made last year to maintain the pay of servicemen at the levels of their civilian counterparts. The Government wish to express their thanks to the Review Body for its continuing valuable work.

The detailed increases in the military salary range between 14½% and 20%. There are also increases in length of service increments, Northern Ireland pay, Separation Allowance and various forms of additional pay. The Review Body has proposed a significant improvement in the pay of part-time members of the Ulster Defence Regiment and a restructuring of their training bounties.

The Review Body also recommends appropriate increases in food and accommodation charges for all members of the Armed Forces. Following the examination of the basis for accommodation charges which is started in

1978, the Review Body

1978, the Review Body recommends an important change in the way in which accommodation charges should be assessed in future which takes account of the differences in Service tenancies compared with local authority tenancies. As a result there will be small increases only in accommodation charges.

The total cost of the Review Body's recommendations represents an increase of 16.8% over current cost. The Government will ensure that the cost of this settlement is not at the expense of other parts of the defence programme. The consequences for the cash limit are being considered and an announcement will be made in due course.

The effective date for the increases in pay and charges is 1 April 1980.

CONFIDENTIAL

cc MOD
HMT
DM
CSD
CO

JFH

DEFENCE



file

10 DOWNING STREET

THE PRIME MINISTER

29 April 1980

Dear Sir Harold

Thank you for the Ninth Report of your Review Body on Armed Forces Pay which you sent me under cover of your letter of 22 April.

The Government has now considered the Report and I am pleased to tell you that it has decided to accept in full all the scales of pay and charges which the Review Body has recommended. I will be announcing this decision in the House of Commons this afternoon. The report will be published as a Command Paper as soon as possible.

I should like to thank you and the members of your Review Body for all the hard and detailed work which has clearly gone into the preparation of this Report.

*Yours sincerely
Margaret Thatcher*

Sir Harold Atcherley.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

T P Lankester Esq
10 Downing Street
London SW1

28 April 1980

Dear Tim,

*R
27/4*

ARMED FORCES PAY: AFPRB NINTH REPORT

The Chief Secretary has seen David Omand's letter of 25 April, and has asked me to say that he sees no objection to the statement which it is proposed that the Prime Minister should make tomorrow. Officials will need to be in touch about the consequences for the defence cash limit, as the statement implies.

I am sending copies to the other recipients of David Omand's letter.

LONDON

*Yours sincerely,
Alistair Pirie*

A C PIRIE

CONFIDENTIAL



Minister of State

Civil Service Department

Whitehall London SW1A 2AZ

Telephone: 30 7733 ext

01 - 273 (Direct Dialling)

01 - 273 3000 (Switchboard)

Tim Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

28 April 1980

Dear Tim, R
28/4

The Minister of State has seen a copy of David Omand's letter of 25th April.

He is content that the Prime Minister be advised to accept the recommendations of the Armed Forces Pay Review Body and that an announcement should be made as is proposed on Tuesday, 29 April.

Copies go to recipients of David Omand's letter.

Yours sincerely
Gary Rogers.

G D ROGERS
Assistant Private Secretary

CONFIDENTIAL

28 APR 1960



UNITED STATES GOVERNMENT



?

10 DOWNING STREET

Dear Sir,

You agreed that Armed Forces pay should be announced by written Answer tomorrow (Tuesday). Here is a draft letter for you to send to the Chairman of the Review Body.

R.

27/4

CONFIDENTIAL

ANNEX B

SR-

Mr. Taylor

for Mr.

Aspinall

TJ

DRAFT LETTER FROM PRIME MINISTER TO SIR HAROLD ATCHERLEY

Thank you for the Ninth Report of your Review Body on Armed Forces Pay which you sent me under cover of your letter of 22 April.

The Government has now considered the Report and I am pleased to tell you that it has decided to accept in full all the scales of pay and charges which the Review Body has recommended. I will be announcing this decision in the House of Commons this afternoon. The report will be published as a Command Paper as soon as possible.

I should like to thank you and the members of your Review Body for all the hard and detailed work which has clearly gone into the preparation of this Report.

CONFIDENTIAL

25 APR 1980



CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-930 7622 218 2111/3

MO 4/4

25th April 1980

Prime Minister

Dear Tim,

Yes

*The Treasury have agreed
the draft written Answer
at Play A. Content for it
to be given in your*

ARMED FORCES PAY: AFPRB NINTH REPORT

name on Tuesday?

In your letter of 22nd April you asked for advice on the substance and handling of the Ninth Report of the Armed Forces Pay Review Body.

*DL
25/4*

As you know, it is the practice of the Government to accept the recommendations of the Review Body unless there are overriding reasons to the contrary. The Defence Secretary sees no reason why we should not accept this Report straight away as it stands (officials of the Cabinet Office and of the other Departments concerned agree.) It would be helpful to him if the Government's decision were to be announced in time for it to be picked up in the closing stages of the Defence debate on Tuesday next. The announcement is normally made by the Prime Minister and could be in the form of a written answer by the Prime Minister to an arranged question in the House on Tuesday, a suggested text for which is attached. / I also enclose the draft of a short letter for the / Prime Minister to send to Sir Harold Atcherley.

Mr Pym has asked me to say that the recommendations of the Report fulfil the Government's commitment to

T P Lankester Esq

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the Forces. At the same time, the cost of the award, at 16.8% of the current pay bill, is relatively modest by comparison with the general level of settlements at the present time and should not, we think, attract particular attention. We believe it will be generally welcomed by the Forces themselves.

I am copying this to Richard Dykes (Employment), Don Brereton (Social Services), John Wiggins and Alistair Pirie (HM Treasury) and Geoffrey Green (CSD) and to David Wright (Cabinet Office).

John Wiggins,

David Wright

(D B OMAND)

ANNEX ADRAFT OF A STATEMENT TO BE MADE BY THE PRIME MINISTERQUESTION

To ask the Prime Minister if she will make a statement about the pay of the Armed Forces.

ANSWER

The Armed Forces Pay Review Body has submitted its Ninth Report on Armed Forces pay. Copies are available in the Vote Office and I will arrange for it to be published as a Command Paper as soon as possible. The report covers the pay of all ranks up to and including Brigadier except Service Doctors and Dentists.

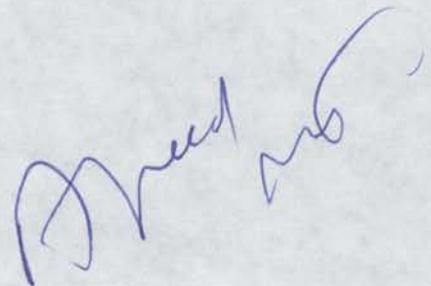
The Government have accepted the Review Body's recommendations in full in line with the commitment they made last year to maintain the pay of servicemen at the levels of their civilian counterparts. The Government wish to express their thanks to the Review Body for its continuing valuable work.

The detailed increases in the military salary range between 14½ per cent and 20 per cent. There are also increases in length of service increments, Northern Ireland pay, Separation Allowance and various forms of additional pay. The Review Body has proposed a significant improvement in the pay of part-time members of the Ulster Defence Regiment and a restructuring of their training bounties.

The Review Body also recommends appropriate increases in food and accommodation charges for all members of the Armed Forces. Following the examination of the basis for accommodation charges which it started in 1978, the Review Body recommends an important change in the way in which accommodation charges should be assessed in future which takes account of the differences in Service tenancies compared with local authority tenancies. As a result there will be small increases only in accommodation charges.

The total cost of the Review Body's recommendations represents an increase of 16.8 per cent over current cost. The Government will ensure that the cost of this settlement is not at the expense of other parts of the defence programme. The consequences for the cash limit are being considered and an announcement will be made in due course.

The effective date for the increases in pay is
1 April 1980.



cc Nat Health (DVEG)
Com Pol (TSRB)
Paul Members (TSRB)

CONFIDENTIAL



Prime Minister

2

This note sets out
where we stand on
each of the Review Bodies
repts.

12 2/4

Ref A 02043

MR WHITMORE

The Reports of the relevant Review Bodies on the pay of the Armed Forces and Doctors and Dentists have already been received; the Report of the TSRB on top salaries generally (Civil Servants, senior officers in the Armed Forces, Judges and National Industries Board members) is expected in June; and the further TSRB on MPs' pay is also expected in that month. We discussed these Reports this morning and Cabinet Office officials have been considering with Departments the way in which these Reports are to be handled, given the degree of inter-linking between them. The position is as follows -

a. The Government is committed to accept the Report of the AFPRB (the statement last year said that: "Having thus fulfilled its undertaking by restoring the pay of servicemen to the levels of their counterparts, it is the Government's intention to maintain it thereafter at those levels"). Mr Pym is anxious to announce the Government's acceptance of the new recommendations - which would apply to forces' pay from 1 April 1980 - before the Defence debate is concluded on Tuesday next. For this purpose he proposes an announcement by way of written answer on Tuesday. (He would prefer the answer to be in the Prime Minister's name). The form of words of this announcement has we understand been agreed between Defence and the Treasury to take account of the cash limit point. Mr Pym will minute the Prime Minister tonight seeking agreement to this procedure.

In the
Box

b. The Doctors and Dentists Report - also operative from 1 April 1980 - presents a slightly different problem. The Government deliberately avoided a commitment to updating in its public announcements last year though we understand that, insofar as they relate to cash limited expenditure, the Report's recommendations can be accommodated within the agreed cash limit

Agreed
mt



for the NHS (The pay of GP's and Dentists falls outside the cash limited area). The intention here is that Mr Jenkin will put a paper to E Committee towards the end of next week (which can if necessary be conveniently discussed at the meeting arranged for 7 May). In it he will recommend acceptance and immediate implementation of the Report. (Despite the Government's care last year to avoid a commitment to implement this year's Report, there are pre-Election statements on record which support Mr Jenkin's proposal.) At the same time Mr Channon will be advised by his officials to put a short paper to the same E meeting looking ahead to the two TSRB Reports so that the consequences for them of the Government's decisions on the DDRB Report will be in colleagues' minds.

c. The Government has rather greater freedom on handling the TSRB Report on Civil Servants etc. The Press announcement issued last year when the previous Report on these issues was published said explicitly: "No decision has been taken on the Review Body's recommendation that the full rates applicable to 1 April 1980 should be further adjusted next year to take account of adjustments in the intervening period." Colleagues will have to decide, when the Report is available, on the extent, if any, to which they wish to make use of last year's disclaimer to impose different treatment on these groups. The CSD in particular are considering whether, given that the implementation of PRU for the generality of Civil Servants this year was delayed by 5 weeks to keep within cash limits, they should recommend the imposition of a similar delay for the Civil Servants covered by the TSRB Report. If so, and there are strong management arguments to support such a course, it may nevertheless be necessary to let some of the other TSRB groups (eg senior service officers) enjoy full implementation on the due date of 1 April. These matters need not be decided now but Ministers will need to be aware that it may not be possible to maintain complete consistency of treatment as between all of the Review Body Groups over the months ahead.



d. The problem of consistency of treatment may also arise with MPs' pay. Mr St John Stevas said in the House on 9 July last: "The June 1980 increase [ie for MPs] will be further updated, in a manner analogous to that adopted for other Review Body groups". If the pay increase for senior Civil Servants is to be held back for 5 weeks it might be open to the Government to impose a similar delay on Members of Parliament - though the precedents to be set for other Review Body groups could be argued against delay. Again there is no need for Ministers to decide this question in advance of receipt of the relevant Report but it is right that the point should be on the table when the earlier decisions are taken on 7 May.

pp. ROBERT ARMSTRONG

25 April 1980



283
Defence

10 DOWNING STREET

From the Private Secretary

~~B/E 29-4-80~~ 22 April 1980

Mr Brian.

We have just received the 9th Report of the Review Body on Armed Forces Pay. I would be grateful for advice on the substance and handling of this report, and also for a draft letter for the Prime Minister to send to Sir Harold Atcherley in reply to his (copy enclosed).

I am sending copies of this letter and of Sir Harold Atcherley's to John Wiggins (HM Treasury), Richard Dykes (Department of Employment) Geoffrey Green (CSD) and David Wright (Cabinet Office). No doubt copy recipients can obtain copies of the report as necessary from the Office of Manpower Economics.

Mr

Tin Label.

Brian Norbury, Esq.,
Ministry of Defence.

283

PRIME MINISTER

cc: Mr. Ingham
~~Mr. Alexander~~
~~Mr. Hoskyns~~

Defence

DOCTORS AND DENTISTS AND ARMED FORCES PAY

We have now received the reports of the Review Bodies on Doctors and Dentists and Armed Forces Pay.

Doctors and Dentists

You will remember that there is a final staging to be paid as from 1 April on the Review Body's 1978 recommendations. This amounts to 10.7 per cent on average. This is a belated "catching up" element. The new report recommends an average increase of 18.7 per cent to be paid on top of this - ranging from 16.5 to 20.5 per cent for different groups. In addition, it recommends a further 0.6 per cent increase in the pay bill in return for the changes in consultants contracts which were introduced in January. This comes to an increase in the total pay bill of 31 per cent.

We are of course getting advice on the handling of this report. DHSS tell me that they should be able to meet the increased bill from within the 14 per cent cash limit. This sounds surprising. However, they tell me that the Treasury agreed that the 14 per cent increase in cash limit should be calculated on a base which assumed that the final 10.7 per cent staging had already been paid last year. So in effect, as with the Civil Service, the cash provision in 1980/81 for non Civil Service pay in DHSS is a good deal higher than 14 per cent. I fear this is likely to be embarrassing when it comes out, as no doubt it will. On the other hand, to have limited the cash limit increase strictly to 14 per cent would have meant either not implementing this latest report or a large cut in the number of doctors and dentists.

Armed Forces

The average increase recommended here is 16.8 per cent - ranging from 14½ per cent to 20 per cent for different ranks. This is slightly lower than we were assuming in the cash limits discussion earlier this year. We have of course agreed that the MOD cash limit will be set so as to accommodate the Review Body's recommendations.

/ We will

We will get early advice on the handling of this report as well.

If you would like to see the reports, I will put them in the weekend box.

R.

22 April 1980



TL seen.

OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CONFIDENTIAL

The Right Hon Margaret Thatcher MP
10 Downing Street
London SW1

22 April 1980

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I enclose the Ninth Report of the Review Body on Armed Forces Pay.

Our review this year has been carried out against the background of the Government's action last year in introducing fully up to date 1 April 1979 rates of pay for all members of the armed forces and of its commitment to keep pay up to date. The report welcomes the improvement in morale within the Services that has resulted, and the recommendations bring pay up to date at 1 April 1980.

We have also recommended an important change in the way in which Service accommodation charges are assessed. This takes full account of the differences in the nature of Service tenancies compared with local authority tenancies. We are satisfied that its adoption will put the rental element of the Services charges on to an appropriate basis vis-a-vis the local authority tenant.

As usual, our recommendations for Services medical and dental officers will follow as soon as possible in a supplement to the new report. Amongst other considerations, we need to know the details of the 1980 recommendations of the Review Body on Doctors' and Dentists' Remuneration before we can reach conclusions on this aspect of the review.

Yours sincerely

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

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Ref: A01884

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MR. LANKESTER

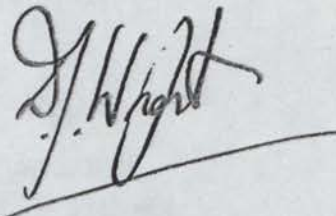
Review Body Reports

We have been checking on the likely timing of receipt of the various Review Body Reports which are currently in preparation. According to the Civil Service Department, we can expect the following:-

- (a) The Report on Doctors' and Dentists' within the next 2 weeks.
- (b) The Armed Forces Report at the end of April.
- (c) The Top Salaries Review Body Report in mid-June.
- (d) The Report on Ministers and MPs also in mid-June.

2. All of these times are more or less as expected except for the TSRB Report on top salaries (nationalised industries, Civil Servants, Judges, Generals, etc.) which until recently had been expected in April. I am told that the delay is probably due to problems over salaries in the nationalised industries.

3. Of the Reports, the Government is committed to more or less automatic implementation of those on the Armed Forces and on Members of Parliament. But it will of course be necessary to consider whether there is any need for staging of the implementation on awards, particularly in the light of whatever settlement is reached for the Civil Service in general. There is in addition a strong, but not inviolable, commitment to implement the Doctors' and Dentists' and TSRB Reports.



(D. J. Wright)

2nd April 1980

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Defence



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29th November 1979

New Tim,

R 27/11

ARMED FORCES PAY REVIEW BODY -
SECOND SUPPLEMENT TO THE EIGHTH REPORT

This is to confirm that the Chancellor is content with the Secretary of State for Defence's proposals as set out in David Omand's letter of 23rd November, and with the proposed announcement and letter.

I am copying this letter to David Omand and Jim Buckley.

Yours ever,

MA

M.A. HALL

Tim Lankester Esq.

CONFIDENTIAL

CONDINGYOL

29 NOV 1879





10 DOWNING STREET

Defence

THE PRIME MINISTER

28 November 1979

Dear Sir Harold,

You sent me on 7 November the Second Supplement to your Eighth Report. This Supplement recommended new rates of London Pay for Service personnel and new rates of pay for University Cadets and Medical and Dental Cadets. It also recommended that the element in the pay of University Cadets attributable to education grants should be equivalent to the maximum LEA mandatory grants for students outside London.

I am pleased to tell you that the Government has now considered these recommendations and has approved that they should be implemented with effect from 1 April, 1979. This decision will be announced on 30 November.

These measures complete the 1979 Pay Review for the Armed Forces. I would like to thank you and the other members of your Review Body for all the very valuable work you have done. The present Supplement and your previous Reports in 1979 have dealt with the sometimes very complicated issues of Armed Forces pay with great clarity and judgement.

Yours sincerely
Robert Deakin

Sir Harold Atcherley

PRIME MINISTER

We have been sent a supplement to the Report of the Review Body on Armed Forces. (The recommendations of the main Report were of course implemented immediately after the election.) The supplement covers the pay of Service university cadets, and for medical and dental cadets.

The proposed increases for these cadets amount to nearly 50% - considerably more than the increases for the armed forces generally. The increases are justified in the report because of falling recruitment - for example, in 1978/79, there was a 47% shortfall on target. MOD have agreed to meet the cost from within their existing cash limit, and the Treasury and CSD are content. Further background is given in the MOD letter at Flag A.

Although this is a very minor proposal, it is suggested that you should announce it because the Review Body Chairman reports directly to you. A draft Written Question and Answer is at Flag B, which you will see I have slightly amended. Are you content?

I also attach at Flag C a letter for you to sign to Sir Harold Atcherley thanking him for this further report.

27 November, 1979.

P.S. We will add the missing date in the letter when we have arranged for the Question/Answer to be put down. R.

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~230 7022~~ 218 2111/3

CONFIDENTIAL

MO 4/4

23rd November 1979

Dear Tim,

You sent us on 7th November the Second Supplement to the Eighth Report of the Armed Forces Pay Review Body and asked for advice on its substance and handling.

The Supplement recommends new rates of pay (effective from 1st April this year) for Service university cadets and for medical and dental cadets. The present rates of pay for these officers have not been increased since 1978 since, as the Supplement makes clear, the Review Body was not able to include them in their main Report earlier this year. The Ministry of Defence had to clarify the implications of the recent income tax ruling as it affected those cadets before the Review Body could recommend pay rates for them. The present recommendations, therefore, complete the 1979 Pay Review. In essence they bring the rates of pay for university cadets into line with that of other junior officers and preserve a differential between the pay of medical and dental cadets and that of university cadets.

The Supplement also recommends new rates of London Pay effective from 1st April this year. These rates are derived from an agreed formula using the same basic statistics as London Weighting for Civil Servants. The Armed Forces formula differs from that for Civil Servants in that it covers those who live in public accommodation separately from those who are owner-occupiers; and both these categories take account of the Service home-to-duty travel allowance. Since the relevant statistics are always taken from the June Department of Employment Gazette the increases in London Pay are inevitably announced later than other elements of pay.

/ My Secretary of State ...

Tim Lankester Esq
No 10 Downing Street

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2.

My Secretary of State is content to accept the recommendations of the Supplement in toto. They will cost an extra £0.97M in respect of the university cadet pay and medical and dental cadet pay, and an extra £1.29M in respect of London Pay. My Secretary of State is not seeking any addition to the current MOD cash limits to cover these awards.

In the normal way, if the Prime Minister accepts the recommendations of the Review Body, the Supplement will be published as a Command paper and the announcement will be made by written answer ideally on the same day as publication. I attach a draft Question and Answer. We have already taken steps to arrange the printing with HMSO and I am told the Supplement could be ready for publication at the earliest on Wednesday 28th November. There is also the courtesy letter which the Prime Minister normally sends to the Chairman very shortly before publication thanking him and his colleagues and telling him about the announcement. I attach a draft to cover this.

*content
P.*

I am copying this letter to Martin Hall and Jim Buckley to whom you sent copies of your letter. They will no doubt comment to you if they wish but since officials in my Department, the CSD and the Treasury have been in consultation I believe that there is general agreement on the substance of the Review Body's recommendations and on the terms of the announcement.

Yours ever,
David Omand
(D B OMAND)

CONFIDENTIAL

CONFIDENTIAL

DRAFT LETTER FROM PRIME MINISTER TO SIR HAROLD ATCHERLEY

You sent me on 7th November the Second Supplement to your Eighth Report. This Supplement recommended new rates of London Pay for Service personnel and new rates of pay for University Cadets and Medical and Dental Cadets. It also recommended that the element in the pay of University Cadets attributable to education grants should be equivalent to the maximum LEA mandatory grants for students outside London.

I am pleased to tell you that the Government has now considered these recommendations and has approved that they should be implemented with effect from 1st April 1979. This decision will be announced on .

These measures complete the 1979 Pay Review for the Armed Forces. I would like to thank you and the other members of your Review Body for all the very valuable work you have done. The present Supplement and your previous Reports in 1979 have dealt with the sometimes very complicated issues of Armed Forces pay with great clarity and judgement.

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23 NOV 1979



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Nat Health

10 DOWNING STREET

From the Private Secretary

7 November 1979

~~BF 19.11.79~~

We have now received the Second Supplement to the Eighth Report of the Review Body on Armed Forces Pay. I enclose a copy of Sir Harold Atcherley's letter and a copy of the report.

I would be grateful for advice on the substance and handling of the recommendations of this report, and for a draft letter in due course which the Prime Minister could send to Sir Harold.

I am sending a copy of this letter and of Sir Harold Atcherley's letter to Martin Hall (HM Treasury) and Jim Buckley (Lord President's Office). We do not have extra copies of the report, and if copy recipients need copies of the report, they will no doubt be able to obtain them from the Office of Manpower Economics.

J. E. LANKESTER

B.M. Norbury Esq
Ministry of Defence

JB



OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

7 November 1979

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I now submit to you the Second Supplement to our Eighth Report. *att to file*

It contains our recommendations on the pay of university cadets and medical and dental cadets, as foreshadowed in the Eighth Report and in the Supplement to it covering the pay of Service medical and dental officers. It also contains recommendations on the rates of London weighting for members of the armed forces. These recommendations complete our 1979 review of armed forces' pay.

Yours sincerely

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

CONFIDENTIAL

Defence



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 8000
DIRECT DIALING 01-218 2111/3

CONFIDENTIAL

MO 4/3

6th July 1979

Dear John

R22617

ARMED FORCES PAY

In your comments in your letter of 27th June on the Supplement to the Eighth Report of the AFPRB you suggested that we ought to examine in a year's time the effect of the recent large pay increases to members of the Forces in case there prove to be other factors besides pay which are still having a major effect on recruitment and retention.

I am sure you are right: you will recall that in the letter which I wrote to the Chancellor shortly after we took office I made the point that fully up-to-date pay alone would not be enough, and that we must also improve conditions of service. I am examining what needs to be done in this area - over and above the two measures which I referred to in my letter (and on which I fear agreement in Whitehall has still not been reached); and I hope I will be able to rely on your support in this when the time comes.

But I also hope that neither you nor our colleagues are under the impression that in honouring our commitment to the Forces generally we were doing anything more than restoring pay to its proper level: the size of the increases needed was simply a measure of the extent to which our predecessors had allowed the Forces to be underpaid during the years of their incomes policy. I agree that there was an element of inducement in the new pay for the very small bodies of SAS and SBS personnel; but, for the rest, I do not think I can accept the imputation of your phrase "buying our way out of the problem". We will certainly need to maintain the full comparability of the

/military ...

The Rt Hon John Biffen MP

CONFIDENTIAL

CONFIDENTIAL



CONFIDENTIAL

military salary in the years ahead, whatever we do about other conditions of service as we have said we will.

I am copying this letter to the Prime Minister and other members of E Committee, the Secretary of State for Social Services, the Paymaster General and Sir John Hunt.

Dansie

Francis

Francis Pym

CONFIDENTIAL

CONFIDENTIAL

5 JUL 1979



010.

1. N/S to see
2. TH. M



MAR 29 2/11

WITH
THE COMPLIMENTS OF THE
PRIVATE SECRETARY

MINISTRY OF DEFENCE, WHITEHALL

LONDON, S.W.1A 2HB

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~2307022~~ 218 2111/3

CONFIDENTIAL

2nd July 1979

MO 4/4

Dear Geoffrey,

LOCAL OVERSEAS ALLOWANCE

The Defence Secretary was grateful for the agreement of Mr Channon, and Mr Biffen, to the introduction of a new system for the calculation of the Local Overseas Allowance (LOA) paid to members of the Armed Forces serving overseas. I have also confirmed with Mr Prior's Private Office that he has no objection either.

The Defence Secretary will be announcing the change in a Written Answer to the House of Commons on Wednesday, 4th July. This is the earliest that we can make the announcement, and still give adequate time for the Commanders in Chief in Germany to prepare for the briefings that will be necessary for the Armed Forces themselves on Wednesday. The effective date of the ending of the moratorium on LOA changes imposed by the last Government will, however, remain 2nd July, as recommended.

This is a highly complex subject and it will be difficult to present the changes to the Services and to the public. We are of course very anxious to avoid the impression that we are forcing an "Irishman's rise" on some Servicemen in Germany by taking away with one hand, through revised rates of allowance, a large part of the increase in take home pay which they received through

/ the ...

Geoffrey Green Esq

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// the Government's restoration of full pay comparability. Mr Pym is planning, therefore, to give a very full answer to the House, and to place an explanatory memorandum in the Library of the House. Copies of these texts, which will have been seen by your officials, are attached. Commanding Officers in the areas affected will have their own instructions to brief their men on the change on Wednesday; and defensive Press briefing will be held both in the Ministry of Defence and at Commands overseas.

I am copying this letter to Tim Lankester (No 10), John Anderson (Department of Employment), Alastair Pirie (Chief Secretary's Office) and to Richard Prescott (Paymaster General's Office).

Yours sincerely,

(D B OMAND)

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LOCAL OVERSEAS ALLOWANCE

Draft Parliamentary Announcement

To ask the Secretary of State for Defence:

"Whether in the light of the restoration of full pay comparability for the Armed Forces he will reassess the Local Overseas Allowances paid to members of HM Forces in Germany".

Answer

As the House will be aware, Local Overseas Allowances (LOA) are paid in Germany and other overseas stations to enable Servicemen and women to maintain their standard of living wherever they may be posted. In 1977 the last Government placed a moratorium on changes in the real value of LOA because they were aware that reductions in certain of the rates were due and that to impose these at a time when the pay of Servicemen had been allowed to fall so far behind under their incomes policy would have had a disastrous effect on morale. At the same time they ordered an examination of the basis for calculating the allowance. Following their undertaking last year to restore pay to its proper level in stages, they announced that a review of the allowances in Germany would take place at the beginning of 1979 and that decisions on the future of the allowances would be taken in April.

The result of the prolonged moratorium has been that rates of LOA in many overseas stations, including Germany, have become increasingly unrealistic, with many Servicemen being over-compensated

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and many others under-compensated, for the extra living expenses which they necessarily incur.

Having fully restored the pay of the Forces the Government has now / decided to introduce the new criteria which have been worked out as a result of the re-examination of the LOA system. The effect will be to distribute the allowance more fairly and to take more account of the actual needs of those - especially married men accompanied by their families - who are posted overseas. I have placed a brief explanation of the new system in the Library of the House. The change over will be made gradually, with staging on 1st October and 1st January next year. This will minimise the effect of decreases in some rates which are now overdue, and which reflect the higher inflation experienced in the United Kingdom which has depressed living standards/during here the last few years. There will, however, be increases for some 40% of Servicemen and women in Germany - principally for the younger married personnel who are most exposed to local conditions and costs.

Meanwhile, from 1st July, other changes in the rules of LOA benefit for the payment / are being introduced which will/significantly all those who move temporarily from an overseas / station ...

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station for short or emergency tours in the UK and who now suffer an immediate loss of LOA. In future they will be allowed to keep in full ^{their} Allowance for 20 days after posting, or 30 days if they have left a family behind, to help them meet their continuing long term commitments at their overseas station.

Also from 1st July, the eligibility for "sea-going" rates of LOA will be extended to include the companies of HM Ships in N. European waters who hitherto have received no compensation whatever for the additional expenses which they incur when visiting N. European ports.

Reviews, also using the new system, will be resumed on other overseas stations starting in September. It is not possible to forecast the outcome of these at this stage.

The Government believes that the new system, ^{of calculating LOA} together with the two important extra benefits to which I have referred will be generally welcomed by the Forces throughout the world,

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THE FORCES LOCAL OVERSEAS ALLOWANCE - A NEW SYSTEM

1. Local overseas allowance (LOA) is a tax free compensatory allowance which is paid to servicemen and women to meet the higher cost of living on overseas stations. It is quite separate from pay. It is assessed separately for each overseas station taking account of the local prices paid by servicemen and their families. Its basic purpose is to enable servicemen to maintain their standard of living wherever they may be posted; it is not ^{- and never has been -} designed as an inducement to, or as a reward for, service overseas.

2. Hitherto the allowance has been calculated by constructing "shopping lists" of goods and services which single and married servicemen can purchase with their pay in the United Kingdom and re-costing the items at local overseas prices: the difference between the overseas cost and the United Kingdom cost is reflected in the allowance. Some variations in patterns of local expenditure have been recognised for reasons of climate (eg more clothing at cold stations and more cold drinks in tropical areas); generally however, servicemen and their families abroad have been assumed to follow the style of life determined by their pay in the United Kingdom.

3. It follows that in a period in which pay does not keep pace with prices in the United Kingdom, with the result that home living standards fall, the "shopping list" contains fewer items and, unless overseas living costs have risen even faster, the amount of LOA produced by the calculation is reduced. This position was reached for Germany in 1977, when the rates of LOA there were due to be reviewed in the normal course of events. However, because the Forces

were generally suffering from artificially low rates of pay as a result of the then Government's incomes policy, the previous Administration introduced a worldwide moratorium on changes in the real value of the allowance in order to avoid reductions which would have had a seriously depressing effect on morale. At the same time a review of the whole system for calculating the allowance was set in hand.

4. This review has now been completed and as a result the Government proposes to introduce a number of changes which will both update the allowance and adjust the anomalies created by the moratorium. The effect will be that those Servicemen accompanied by their families who are most exposed to overseas living costs will benefit most, and also all Servicemen who leave the overseas station for short or emergency tours, for example, in Northern Ireland, who hitherto have had their LOA stopped or abated immediately. LOA will also be introduced for the first time for the crews of HM Ships in Northern European waters who visit ports on the Continent.

5. The main changes recognise that essential expenditure on many items abroad, such as transport and recreation, is directly and significantly affected by local conditions. The new system for calculating the allowance will ensure, through a process of inspection visits, consultation and evaluation, that the rates are brought more closely into line with the actual needs of Servicemen at overseas stations. The result in Germany, where a review of local living costs set in hand by the previous Administration was completed earlier this

year, will be that many servicemen will receive increases in their present rates of LOA. Others - mainly the single and those unaccompanied by their families, who are generally less exposed to local living conditions and costs - will receive less than at present, though more than they would under the system hitherto in operation. Now that pay has been restored to its correct level, there is no reason why the ^{overseas} allowance should not

now

be fixed for all those serving abroad at the rates judged necessary to fulfil its essential purpose. This is, moreover, the only basis on which the allowance can continue to be paid free of income tax.

6. A table of the new rates of the allowance for the main British Forces area of Germany based on the new system is attached. These rates, which take full account of current rates of pay and taxes, will be introduced in two stages and will become fully operative from 1 January 1980. The existing rates which, apart from arithmetical adjustment to reflect changes in the rate of exchange, have been in force since 1975 are also shown. The reduction in the rates for single personnel and married men unaccompanied by their families shows the measure of the soaring rate of inflation in the United Kingdom and the reduced standard of living which the Forces generally, like others in the community, have suffered during the past four years. The corresponding effect for married servicemen accompanied by their families has been masked to a much greater extent by the benefit which they will receive from the introduction of the new system.

7. The Government believes that the new system will provide a fairer basis of compensation for the essential needs of the Forces serving overseas in future. It is estimated that the new rates of allowance for the Forces in Germany will cost £120M at current rates of exchange in a full year. The extent of the benefit generally afforded by the changes in the system is illustrated by the fact that the corresponding cost of allowances re-calculated on the previous basis would have been £92M.

8. Rates of LOA payable to the ^{small number of Servicemen} stationed in Germany outside the British Forces area, and to those in isolated detachments who do not have access to the full range of Service facilities, are being similarly revised. The changes for them are not expected to differ appreciably from the general pattern indicated in the table. Other overseas stations will have their allowances reviewed under the new system in a cycle extending over the next two or three years. It is not possible in advance of these reviews to predict the outcome.

9. The Government has also decided to remove two anomalies which have hithert given rise to hardship. First, the practice of withdrawing LOA from a serviceman immediately he leaves an overseas station for temporary duty in the United Kingdom (unless he has left his family in the overseas area, in which case a proportion of the married rate of the allowance in issue has been paid), which has borne particularly hardly on those sent from Germany for short tours in Northern Ireland, will cease from 1 July 1979. In future

LOA will be issued in full for up to 20 days temporary absence from the overseas station on duty in the United Kingdom (30 days where a family remains behind) so enabling Servicemen to meet their long term continuing commitments at the overseas station. This will mean, for example, that a Sergeant leaving his family in Germany while serving for 30 days or more in Northern Ireland will, when the new rates are fully implemented, receive additional LOA amounting to £65.70. A single junior officer away for 20 days or more will receive £62.20.

10. Second, as mentioned above, the crews of HM Ships visiting ports in North West Europe have until now not been regarded as eligible for any form of LOA, despite the expense to which they are put. This anomaly will also be removed from 1st July 1979 by the introduction of an appropriately calculated rate of "Seagoing LOA", the effect of which will be to bring those concerned into the system which has been applied to seagoing personnel in other parts of the world.

11. The extra cost of these two further new benefits is estimated at £4m in a full year.



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DeLarge
cc: MOD



10 DOWNING STREET

From the Private Secretary

29 June 1979

Dear Sir Itama,

The Prime Minister has asked me to thank you for your letter of 12 June forwarding the recommendations of the Review Body on Armed Forces Pay on the pay of Service Medical and Dental Officers and on improvements in the pay of the Special Air Service Regiment and the Special Boat Squadron, Royal Marines. She is grateful to you and to the members of the Review Body for this thorough and comprehensive further Report.

You will wish to know that the Government has accepted the Review Body's recommendations for both these groups in full. In the absence of the Prime Minister the Secretary of State for Defence will be announcing this decision by means of a Written Answer in the House of Commons on Friday, 29 June. The Supplement to the Eighth Report will be published at the same time as Command 7603.

In your letter you suggested that the Government might not wish to publish the Review Body's recommendations concerning the Special Air Service Regiment and the Special Boat Squadron, Royal Marines. The Government believes that it would not be in the national interest to publish these recommendations and accordingly Part II of the Supplement has not been printed. The new rates of SAS/SBS Service pay will be implemented by the Ministry of Defence by administrative action without publicity.

Yours truly,

Tin Lakur.

Sir Harold Atcherley

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ACKM

10 DOWNING STREET

~~Mich~~
—

This all ok. Ms

Give the letter to

Mr. ~~Harlow~~ and

have sent by hand

to the ~~man~~ .

JL
—

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~230 0232~~ 218 2111/3

CONFIDENTIAL

28th June 1979

MO 4/4

Dear Tim,

Thank you for your letter of 26th June conveying the Prime Minister's agreement to the Defence Secretary's proposal to accept and publish the Supplement to the Eighth Report of the Armed Forces Pay Review Body. I have confirmed with colleagues that there are no objections to this.

The Supplement will be published on Friday 29th June, and the Defence Secretary will be announcing this in a written Answer that afternoon. I enclose a copy of the proposed Answer. As requested I attach a draft letter for you to send to Sir Harold Atcherley informing him of this.

Copies of this letter go to the recipients of yours.

*Yours sincerely,
David Omand*

(D B OMAND)

T Lankester Esq
No 10 Downing Street

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DRAFT LETTER TO SIR HAROLD ATCHERLEY

The Prime Minister has asked me to thank you for your letter dated 12 June forwarding the recommendations of the Review Body on Armed Forces Pay on the pay of Service Medical and Dental Officers and on improvements in the pay of the Special Air Service Regiment and the Special Boat Squadron, Royal Marines. She is grateful to you and to the members of the Review Body for this thorough and comprehensive further Report.

You will wish to know that the Government has accepted the Review Body's recommendations for both these groups in full. In the absence of the Prime Minister the Secretary of State for Defence will be announcing this decision by means of a Written Answer in the House of Commons on Friday 29th June. The Supplement to the Eighth Report will be published at the same time as Command 7603.

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WRITTEN

QUESTION

To ask the Secretary of State for Defence if he will make a statement about the pay of Medical and Dental Officers in the Armed Forces.

ANSWER

Secretary of State

The Supplement to the Eighth Report of the Armed Forces Pay Review Body covering the pay of Service Medical and Dental Officers has been published today as Command 7603. Copies are available in the Vote Office.

The Government accepts the Review Body's recommendations on the levels of military salary for Service Medical and Dental Officers appropriate at 1 April 1979. These will be implemented in full from 1 April 1979 in line with the decision already announced to pay the fully up-to-date rates of pay for all combatant ranks up to Brigadier as recommended in the Review Body's Eighth Report.

28 J





2 PPS

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

R
28/6

The Rt Hon Francis Pym MC MP
Secretary of State for Defence
Main Building
Whitehall
LONDON SW1

fr

28 June 1979

Dear Francis,

AFPRB EIGHTH REPORT

Your letter of 21 June only reached me today. As you say, we are already committed to paying doctors and dentists in the Forces who are covered by the AFPRB Report the fully up-to-date rates from 1 April 1979. This is known to the medical and dental professions and I cannot see any reasons for fearing trouble from them at this stage because they are only paid half-way up-to-date rates. I think we should implement this latest Report of the AFPRB.

I have no comments on the AFPRB's recommendations for the SAS and SBS.

I am copying this letter to the Prime Minister, Members of 'E' Committee, the Paymaster General and to Sir John Hunt.

Yours
Patric

28 JUN 1979



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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
 Secretary of State
 Ministry of Defence
 Main Building
 Whitehall
 London SW1A 2HB

R 2876

27th June 1979

Dear Francis,

REVIEW BODY ON ARMED FORCES PAY: SUPPLEMENT TO THE EIGHTH REPORT

You copied to members of E Committee your letter of 21 June to Christopher Soames.

As we are already committed to the increases for Service doctors and dentists, I see no objection to your proposal to implement them in full. Nor would I wish to object to the proposed increases for the SAS/SBS.

However, I think there is a wider point that we need to watch. The SAS/SBS increases are justified on the basis of the need to recruit and retain manpower - as indeed were increases for the Armed Forces generally, and for other groups such as the police. We are firmly committed to our policies for improving defence and the enforcement of law and order, and if these increases contribute significantly to that end, well and good. But Sir Harold Atcherley's letter of 12 June to the Prime Minister states:

"We are aware that there can be no certainty that a cash incentive will provide the solution to the recruitment problems."

I therefore think a careful watch must be kept on the recruitment and retention situation in these areas and that we should examine, in, say, a year's time, the effect of these large pay increases. If it transpires that, in spite of the increases, major problems remain, we shall need to examine the situation in greater depth. If there are other factors - such as terms and conditions of service, or recruitment policy - which are having a major effect on recruitment and retention, it may be wrong to assume, as Atcherley indicates, that we can simply buy our way out of the problem.

I am copying this letter to the Prime Minister and other members of E Committee, the Secretary of State for Social Services, the Paymaster General and Sir John Hunt.

John Biffen

JOHN BIFFEN



1979



Defence

JS



cc: HO J/N
 FCO Chief Sec
 HMT
 D/ind J/SS
 LPO PGO
 D/emp CO
 MAFF
 DOT

10 DOWNING STREET

From the Private Secretary

5/29.6/79

26 June 1979

Dear Roger,

The Prime Minister has read your Secretary of State's letter of 21 June to the Lord President concerning the Supplement to the Eighth Report of the Armed Forces Pay Review Body. Subject to colleagues' views, she is content with Mr. Pym's proposals.

Before Mr. Pym decides to make his announcement, you will no doubt let me have a draft letter for the Prime Minister to send to Sir Harold Atcherley; if the announcement is to be this week, then I would be grateful for a draft which I could send on the Prime Minister's behalf.

I am sending copies of this letter to Private Secretaries to members of E Committee, Don Brereton (DHSS), Richard Prescott (Paymaster General's Office) and Martin Vile (Cabinet Office).

Yours ever,

T. Laker

Roger Facer, Esq.,
 Ministry of Defence.

JS



10 DOWNING STREET

PRIME MINISTER

You commented on the attached letter from Mr. Pym that he should make it quite clear in his statement that "This is the second stage of a three-stage award over two years". Unless I have misunderstood you, I do not think this point arises. The Service doctors and dentists, unlike their civilian counterparts, are getting their second and third stages at the same time. You decided, after the Cabinet on Armed Forces' pay, that they should be treated in the same way as the Armed Forces generally - which of course means bringing the third stage forward to this year.

12. Sorry.

Armed M.

25 June 1979

Civil Service Department,
Whitehall,

London, SW1A 2AZ

*With the Compliments
of the
Private Secretary
to the
Lord President of the Council*

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

22 June, 1979

R L Facer Esq
Private Secretary to
Secretary of State for Defence
Main Building
Whitehall
LONDON SW1A 2HB

R
20/5/79

Dear Roger,

Your Secretary of State wrote on 21 June about the Supplement to the Eighth Report of the Armed Forces Pay Review Body. The Lord President agrees that the Supplementary Report should be accepted without discussion.

Officials here have been closely involved at all stages leading up to the recommendation for the SAS/SBS and they are fully acceptable. We agree that no mention should be made in any announcement and that it would be best to omit any reference to it from the printed report.

I am sending copies to the Private Secretaries to members of E and to Secretary of State for Health and Social Security, the Paymaster General and Martin Vile in Sir John Hunt's office.

Yours sincerely,
Jim Buckley.

J BUCKLEY
Private Secretary

CONFIDENTIAL

25 JUN 1979



Defence

vb

22 June 1979

I am writing on behalf of the Prime Minister to thank you for your letter of 12 June with which you enclosed the Supplement to the 8th Report of the Review Body on Armed Forces pay. Your recommendations on Service medical and dental officers and on the pay of the Special Air Service Regiment and the Special Boat Squadron, Royal Marines, are being urgently considered, and an announcement will be made as soon as possible.

TPL

Sir Harold Atcherley

Pinné Minnik



*I think this is
straightforward. Mr
Pym wants to*

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

*make an
announcement
next week. Shall
I say that you
are content,
subject to
colleagues' views?*

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MANAGEMENT IN
CONFIDENCE

21st June 1979

MO 4/4

Dear Christopher

*Will the Defence Sec. make
Pinné's view in his
statement that - that is
the second 1/4
3-1/4 years
over 2
years.
out*

Your officials have a copy of the Supplement to the Eighth Report of the Armed Forces Pay Review Body which No 10 referred to in its letter dated 13th June. This Supplement gives the Review Body's recommendations on the pay of Service doctors and dentists and on the additional pay for members of the Special Air Service (SAS) and Special Boat Service (SBS).

The pay of Service doctors and dentists is calculated quite separately from that of combatants. It is based on the earnings of the General Medical Practitioner in the National Health Service and the Review Body's recommendations must therefore follow the Government's decisions on the levels of General Medical Practitioners' earnings as recommended by the Doctors' and Dentists' Review Body. Following the Government's decision, which I announced in reply to a question in the House on 12th June, that Service doctors and dentists, like combatants, would receive their full appropriate levels of pay from 1st April this year, the Review Body has produced recommendations only for these.

*You agreed
this after
the decision
on armed
forces pay
TL*

The recommended pay scales are set out in paragraphs 19 and 20 of the Supplement. We are fully committed to

/ accepting ...

*These
involve
increases of
35% or
50 - about
the same as
for the main
armed forces
settlement*

The Lord Soames GCMG, GCVO, CBE



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MANAGEMENT IN
CONFIDENCE

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accepting them. They involve, as the Review Body notes in the latter paragraph, an inverse differential with the current pay of Major Generals (including medical and dental Major Generals) whose pay scales have only very recently been set following the recommendations of the Top Salaries Review Body. This produces an awkward anomaly but I do not see how we can rectify it without either depressing the pay scales at the level of Brigadier and below contrary to our previous undertaking; or raising that of the Major General contrary to the recent decision on TSRB salaries. In all the circumstances therefore I am prepared to live with it temporarily, until decisions are taken on next year's awards.

These involve
extra special
allowances of
£1,500 - 2,000
per year
Flag A

The recommendations for SAS/SBS Service pay are, of course, quite separate. I should say that these two very small and specialised groups, the Special Air Service in the Army and the Special Boat Service in the Royal Marines, take on a wide range of very important and sensitive tasks. As Sir Harold Atcherley's covering letter makes clear, both groups are significantly below their complements and we must rely heavily on the recommended increases to stimulate recruitment. Although these recommendations have appeared in a supplementary report they are part of the main Forces' pay settlement and I think we are bound to accept them.

I hope we can agree to accept the Supplementary Report without discussion. If so, I would if possible aim for an announcement next week. I believe it would be best to omit any reference to the SAS/SBS award from the announcement and from the printed report, since the work of these groups is not helped by publicity. The terms of the announcement can be agreed between officials.

I am copying this letter to the members of E, as well as the Secretary of State for Health and Social Security, the Paymaster General and to Sir John Hunt.

Francis Pym
Francis Pym
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MANAGEMENT IN CONFIDENCE

*Original to
Original in Rooms.*

*cc MOD
(with letter)*

18 June 1979

My Dear Lord Provost

Thank you for your letter of 5 June.

I was glad to hear about your visit to the
40th Field Regiment Royal Artillery in
West Germany, and I am of course delighted
that the recent armed forces pay award
appears to have been received so well.

Yours sincerely

MT

The Right Honourable Kenneth Borthwick, J.P.

jfh

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

13 June 1979

Dear John,

Review Body on Armed Forces Pay

The Prime Minister has now received the enclosed letter from Sir Harold Atcherley together with the supplement to the Eighth Report of the Review Body on Armed Forces Pay. This covers the pay of Service medical and dental officers on which decisions in principle have already been taken - as recorded in Ken Stowe's letter of 10 May; but it also covers the pay of the Special Air Service Regiment and Special Boat Squadron, Royal Marines.

I should be grateful if your Secretary of State could provide the Prime Minister with advice on this Report - both in regards to substance and handling. It would be helpful if this advice could be put forward in consultation with the Chancellor of the Exchequer, the Lord President and the Secretaries of State for Employment and Social Services.

I am sending copies of this letter, together with a copy of Sir Harold Atcherley's letter, to Tony Battishill (HM Treasury), Jim Buckley (Lord President's Office), Ian Fair (Department of Employment), Don Brereton (Department of Health and Social Security) and Martin Vile (Cabinet Office). I would be grateful if you could arrange for copies of the Review Body's Report to be circulated as necessary.

Yours ever,

Tim Lasker

John Gutteridge, Esq.,
Ministry of Defence.

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CONFIDENTIAL



The Rt Hon Margaret Thatcher MP
10 Downing Street
London S W 1

A
OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

Dear Prime Minister,

12 June 1979

REVIEW BODY ON ARMED FORCES PAY

Following the Government's decision on the recommendations in the Ninth Report of the Review Body on Doctors' and Dentists' Remuneration, we are now able to make our own recommendations on the pay of medical and dental officers in the Armed Forces. We do so in a Supplement to our Eighth Report 1979 which I now submit to you on behalf of the Review Body on Armed Forces Pay. We take the opportunity, in the same Supplement, to put forward our recommendations concerning improvements in the pay of the Special Air Service Regiment as foreshadowed in the penultimate paragraph of my letter of 5 April 1979 to Mr Callaghan.

Service medical and dental officers

In making our recommendations, we have taken note of the Government's decision to put into effect with effect from 1 April 1979 the full rates which we may recommend for Service medical and dental officers, which was made known to me in Mr Lankester's letter of 10 May 1979. As a result, our recommendations relate to the fully up-to-date military salaries appropriate at 1 April 1979.

We have drawn attention to the problem of 'reverse differentials' - albeit temporary - at the top of the salary structure, which results from the decision to maintain the staging arrangements relating to the 1 April 1978 salaries of the Major General and above. The fully up-to-date salaries in the two areas provide a satisfactory overall structure, but the second stage 1 April 1979 salary for the Major General and equivalent (£16,714) is lower than the fully up-to-date salary of medical and dental Brigadiers (and senior Colonels). This situation will continue until the pay of the Major General is brought up to date.

Special Air Service Regiment (SAS) and Special Boat Squadron, Royal Marines (SBS)

In the second part of the Supplement we have confined our recommendations on the pay of officers and men of the SAS and SBS to a statement of the recommended rates of additional pay with a minimum of background information. In doing so we have had regard to representations from the Ministry of Defence about the sensitivity of all arrangements relating to this specialised field and we have formulated our recommendations in a way that is designed for publication in the normal way, taking account of those views. If, however, the Government decides that it is not in the national interest to publish 'Part II' naturally we would be ready to adapt the Supplement for publication.

Given the confidentiality of much of the background to the SAS/SBS recommendations, I would like to set them in their proper context in this letter. Manning problems in the SAS were first brought to our attention in 1975 when we considered Ministry of Defence proposals for the introduction of a form of additional pay as an incentive to recruitment and retention. Our own inquiries led us to the

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112 JUN 1979



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conclusion that the first step towards resolving the problem lay in the proper 'grading' of jobs in the SAS in terms of ranks and pay 'bands' on the same basis of job evaluation as was in use generally throughout the armed forces. In practice, on that basis, most of the existing ranks were 'upgraded': the minimum rank of the trained SAS soldier became Corporal and, with the exception of the Warrant Officer Class 1 and Class 2, other non-commissioned ranks from Corporal to Staff Sergeant moved up by one rank. We now conclude that the upgrading process should be extended to Warrant Officers and we recommend that those who were Warrant Officer Class 2 before the 1977 restructuring should now be promoted to Warrant Officer Class 1. For pay purposes existing Warrant Officer(s) Class 1 should be treated in the same way as the Warrant Officer Class 1 who holds the position of Academy Sergeant Major at the Royal Military Academy, Sandhurst. These changes should be effective from 1 April 1979.

However, during the recent review, we received evidence from the Ministry of Defence of increasing manning shortages in the SAS over the last four years and of a current (December 1978) shortfall from establishment of some 30 per cent. At the same time a marked shortfall had arisen since 1976 in the Special Boat Squadron because of the need to increase numbers. At December 1978, the shortfall was 26 per cent. The SBS is a smaller organisation than the SAS and a shortfall of this order presents an equally serious problem, particularly as we understand that the calls made on their specialised skills are unlikely to be reduced and may well increase.

We cannot judge operational demands and we have assumed that they will continue at least at the present levels. We have therefore considered - and have explored with the Ministry of Defence - the extent to which improved cash incentives might help. We are aware that there can be no certainty that a cash incentive will provide the solution to the recruitment problems and it is clear from the statistics on selection that the exceptional qualities required of the men who succeed in qualifying for service in these two units are scarce. A cash incentive must therefore be adequate to attract potential specialists of the right calibre but, more important, it must be adequate also to persuade trained men to stay in the SAS/SBS in an environment in which increased violence in society generally adds to the marketability of their skills.

Our recommendations are designed to do this and, at the same time, to simplify the pay structure in the SAS by subsuming the present form of parachute pay. The result will be a straightforward structure of military salary plus SAS Service pay. The position in the SBS is slightly different, but our intention is that the rates of additional pay should maintain the earnings of members of the SBS in the same relationship to SAS earnings as existed immediately prior to 1 April 1979 - that is, with SAS earnings and ranks after the 1977 restructuring.

Yours sincerely,
Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
 REVIEW BODY ON ARMED FORCES PAY



Defence
OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

cf. MoD

P.a.

T P Lankester Esq
10 Downing Street
London SW 1

11 May 1979

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14/5

Dear Tim,

I am writing on Sir Harold Atcherley's behalf to thank you for your letter of 10 May 1979 informing him of the Government's decision to implement in full the 1979 recommendations of the Review Body on Armed Forces Pay. Sir Harold Atcherley is in fact abroad at present, but I was able to talk to him before the news broke publicly. I need hardly add that he (and the Review Body as a whole) very much welcomes the decision, which fully meets the view expressed in the Eighth Report (paragraph 53).

Yours sincerely,
Jean Orr.

J F H ORR

OFFICE OF THE ATTORNEY GENERAL

STATE OF NEW YORK

ALBANY, N. Y.

THOMAS W. SWAN



14 MAY 1919





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MINISTRY OF DEFENCE NEWS RELEASE

Ch
Ld Pym
24/79 Eurl
10 May 1979 DHB

ARMED FORCES' PAY

The Secretary of State for Defence, Mr Francis Pym, today announced that one of the Government's first tasks must be to stop the very damaging outflow of experienced and skilled officers and men from the Armed Forces.

In its Eighth Report this year the Armed Forces' Pay Review Body recommended the rates of pay, representing an average net increase of 32½%, which it considered appropriate at 1st April and emphasised that the earliest possible restoration of competitive pay levels was the least that is needed. The Body went on to say that it would then be essential to maintain them in line with earnings outside according to the accepted standards.

The previous Government did not act on these recommendations. Instead it withheld a part of the recommended award until next April.

The present Government has decided, in accordance with the pledges which it gave while in opposition, to implement the recommendations of the Review Body in full.

This means that, with effect from 1st April this year, the Forces' pay will be increased by the full amounts recommended. New detailed pay scales are attached.

Having thus fulfilled its undertaking by restoring the pay of Servicemen to the levels of their counterparts, it is the Government's intention to maintain it thereafter at those levels.

Issued by - Public Relations
Ministry of Defence
Main Building
Whitehall
London SW1A 2HB
01-218 7924/7931

ARMY
NORMAL RATES

Rank	New rates of pay	
	Daily	Annual
	£	£
*University Cadet	3.90	1427
**Officer Cadet	8.68	3177
Second-Lieutenant(SSLC) On commissioning	8.58	3140
Second-Lieutenant(SSLC) After 9 months	8.97	3283
Second-Lieutenant(RCC) /	10.40	3806
Second-Lieutenant	11.89	4352
Lieutenant - On appointment	14.73	5391
After 1 year in the rank	15.12	5534
After 2 years in the rank	15.51	5677
After 3 years in the rank	15.90	5819
After 4 years in the rank	16.29	5962
Captain - On appointment	18.31	6701
After 1 year in the rank	18.81	6834
After 2 years in the rank	19.31	7067
After 3 years in the rank	19.81	7250
After 4 years in the rank	20.31	7433
After 5 years in the rank	20.81	7616
After 6 years in the rank	21.31	7799
Major - On appointment	23.07	8444
After 1 year in the rank	23.62	8645
After 2 years in the rank	24.17	8846
After 3 years in the rank	24.72	9048
After 4 years in the rank	25.27	9249
After 5 years in the rank	25.82	9450
After 6 years in the rank	26.37	9651
After 7 years in the rank	26.92	9853
After 8 years in the rank	27.47	10,054
Special List		
Lieutenant-Colonel	30.31	11,093
Lieutenant-Colonel - On appointment with less than 19 years' service	29.84	10,921
After 2 years in the rank or with 19 years' service	30.63	11,211
After 4 years in the rank or with 21 years' service	31.42	11,500
After 6 years in the rank or with 23 years' service	32.21	11,789
After 8 years in the rank or with 25 years' service	33.00	12,078
Colonel - On appointment	35.05	12,828
After 2 years in rank	35.97	13,165
After 4 years in rank	36.89	13,502
After 6 years in rank	37.81	13,838
After 8 years in rank	38.73	14,175
Brigadier	41.67	15,251

*Education Grant of £ 2.02 daily (£737 p.a) is paid in addition.

/ Officers attending a Regular Career Course immediately after attending the Standard Military Course at Royal Military Academy, Sandhurst.

xx Committal pay at the appropriate rate is also payable.

ARMY

New rates of pay for those committed to serve for:

Rank	Less than 6 years Scale A			6 years but less than 9 years Scale B			9 years or more Scale C					
	Band 1	Band 2	Band 3	Band 1	Band 2	Band 3	Band 1	Band 2	Band 3			
Private Class IV ...	£ 8.68	£ -	£ -	£ 8.98	£ -	£ -	£ 9.43	£ -	£ -			
Private Class III ...	9.27	10.33	-	9.57	10.63	-	10.02	11.08	-			
Private Class II ...	9.89	10.95	-	10.19	11.25	-	10.64	11.70	-			
Private Class I ...	10.55	11.61	12.81	10.85	11.91	13.11	11.30	12.36	13.56			
Lance Corporal Class III ...	10.55	11.61	-	10.85	11.91	-	11.30	12.36	-			
Lance Corporal Class II ...	11.26	12.32	-	11.56	12.62	-	12.01	13.07	-			
Lance Corporal Class I ...	12.01	13.07	14.27	12.31	13.37	14.57	12.76	13.82	15.02			
Corporal Class II ...	12.81	13.87	-	13.11	14.17	-	13.56	14.62	-			
Corporal Class I ...	13.66	14.72	15.92	13.96	15.02	16.22	14.41	15.47	16.67			
	Band 4	Band 5	Band 6	Band 7	Band 4	Band 5	Band 6	Band 7	Band 4	Band 5	Band 6	Band 7
Sergeant ...	£ 14.66	£ 15.79	£ 17.09	£ -	£ 14.96	£ 16.09	£ 17.39	£ -	£ 15.41	£ 16.54	£ 17.84	£ -
Staff Sergeant ...	15.43	16.56	17.86	19.34	15.73	16.86	18.16	19.64	16.18	17.31	18.61	20.09
Warrant Officer 2 ...	16.23	17.36	18.66	20.14	16.53	17.66	18.96	20.44	16.98	18.11	19.41	20.89
Warrant Officer 1 ...	17.07	18.20	19.50	20.98	17.37	18.50	19.80	21.28	17.82	18.95	20.25	21.73

paid in Band 5 or above

paid in Band 2

Sergeants and above whose employment classification is Class II and Corporals whose employment classification is Class III shall be paid £0.12 or £0.06 a day respectively less than the rates shown.

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DRAFT STATEMENT

ARMED FORCES' PAY

One of the Government's first tasks must be to stop the very damaging outflow of experienced and skilled officers and men from the Armed Forces.

In its Eighth Report this year the Armed Forces' Pay Review Body recommended the rates of pay, representing an average net increase of 32½%, which it considered appropriate at 1st April and emphasised that the earliest possible restoration of competitive pay levels was the least that is needed. The Body went on to say that it would then be essential to maintain them in line with earnings outside according to the accepted standards.

The previous Government did not act on these recommendations. Instead it withheld a part of the recommended award until next April. —

The present Government has decided, in accordance with the pledges which it gave while in opposition, to implement the recommendations of the Review Body in full.

This means that, with effect from 1st April this year, the Forces' pay will be increased by the full amounts recommended. New detailed pay scales are attached.

/ Having ...

Having thus fulfilled its undertaking by restoring the pay of Servicemen to the levels of their counterparts, it is the Government's intention to maintain it thereafter at those levels.

113 JUN 1979





10 DOWNING STREET

From the Private Secretary

10 May 1979

I am writing on the Prime Minister's behalf to let you know that, in accordance with the commitment given by the Government when in Opposition, the Secretary of State for Defence will be announcing this afternoon that the pay of the Armed Forces will be brought up to the full levels recommended in your Eighth Report as being appropriate at 1 April 1979, with effect from that date. The Government will similarly put into effect, from the same date, the full rates which you will be recommending in due course in your Supplementary Report covering the pay of Service Medical and Dental Officers.

T. P. LANKESTER

Sir Harold Atcherley.

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FILE



10 DOWNING STREET

cc: Ld Priv. office.
Employment

From the Principal Private Secretary

10 May 1979

Dear Roger,

Armed Forces Pay

The Prime Minister discussed further, after Cabinet this morning, with your Secretary of State, the Chancellor of the Exchequer and the Secretary of State for Social Services, the nature of the Government's commitment on Armed Forces pay.

The two points at issue were the position of Doctors and Dentists in the Armed Services and the proposed inclusion in the announcement of improvements in conditions of service at an annual cost of £30 million.

On the first point, the Prime Minister and her colleagues noted that the pay award for Doctors and Dentists in the Armed Services has to be considered further by the AFPRB; they concluded that whatever the Review Body recommend in their further Report about the pay of Doctors and Dentists in the Armed Services, would be implemented in full; they noted, however, that this would be wholly without prejudice to the Government's decision on the DDRB Report on Doctors and Dentists remuneration generally. On this basis the form of words in the draft announcement was accepted and it was noted that the cost of the award included an estimated £3 million for the implementation of the further Report on pay for Doctors and Dentists in the Armed Services.

As to the second point concerning conditions of service, the Prime Minister and the Chancellor of the Exchequer could not agree that the proposed improvements in conditions of service at a cost of £30 million could be implemented and announced forthwith; this proposal would need to be considered further in the usual way, since it did not fall within the Government's commitment during the Election.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Social Services and to Sir John Hunt.

Yours sincerely,
Ken Stone.

R. L. L. Facer, Esq.,
Ministry of Defence.

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MR STOWE

cc Sir John Hunt

ARMED FORCES DOCTORS AND DENTISTS

There was some confusion at Cabinet this morning about the exact position on this group.

2. The relevant passage in the Armed Forces Pay Review Body Report (paragraph 18) is attached. The key sentence reads: "our recommendations for the second stage payment must await the outcome of the current review of the remuneration of Doctors and Dentists in the NHS. In line with our usual practice, we will put forward recommendations in a supplement to this report." That supplement has yet to be delivered.
3. The Ministry of Defence accept that, for this reason, they cannot announce precise rates at this stage. The figure of £3 million for the cost of these pay increases, given in paragraph 8 of Mr Pym's minute of 9 May, is explicitly only an estimate.
4. The Ministry tell me that what Mr Pym wants at this stage is simply to announce in principle that when the report is received, it will be implemented ^{in its own way as} ~~in full, like the similar~~ recommendations for non-medical service personnel. The draft announcement circulated with the Private Office letter of 9 May from MOD does not, in fact, refer to medical personnel at all, but I believe this point would be made in supplementary briefing.
5. The Chancellor of the Exchequer, I am told, was briefed to oppose this, on the ground that it prejudged the Cabinet's decision on the Doctors and Dentists' Pay Review Body Report. However, the mere announcement of a decision in principle need not do this, provided that it is made clear that

exact rates cannot yet be announced. A suitable form of words for use in dealing with questions from the press might be: "The AFPRB Report does not deal with the pay of service doctors and dentists. The Review Body will make a separate report on these as it always does, when the current review of the pay of doctors and dentists in the NHS is complete. The Government will however implement the recommended rates for service doctors and dentists in full, just as it has done for the remainder of the armed forces."

6. If this note reaches you before Cabinet ends, you may be able to arrange for the Prime Minister to have a quick word with Mr Pym, Sir G Howe and Mr Jenkin before they leave. If not, the question could be sorted out between private offices before lunch so that MOD can make their announcement this afternoon.



P Le CHEMINANT

Cabinet Office

10 May 1979

CONFIDENTIAL

Medical and dental officers

18. The pay of Service medical and dental officers continues to be based on the average net remuneration of general medical practitioners in the National Health Service (NHS), as recommended by the National Board for Prices and Incomes¹, and our 1978 recommendations were made on that basis². However, we recognised that, because the manning problems relating to doctors were closely similar to those in the technical branches of the Services, the Government might well extend the spirit of its decision on our main recommendations to medical and dental officers also. In the event, this was done and the first stage of the 1 April 1978 increase for medical and dental officers was more favourable overall (at a total of 14 per cent) than the equivalent increase (10.5 per cent) for general medical practitioners in the NHS. Our recommendations for the second stage payment under the commitment that will be implemented with effect from 1 April 1979 must await the outcome of the current review of the remuneration of doctors and dentists in the NHS. In line with our usual practice, we will put forward recommendations in a Supplement to this Report.

¹National Board for Prices and Incomes Report No 116, Cmnd. 4079, June 1969, Chapter 9.

²Review Body on Armed Forces Pay, Service Medical and Dental Officers, Supplement to Seventh Report 1978, Cmnd. 7288, December 1978.

Ref: A09520

Copy No. 1

Copy in ~~Police Pay~~ Police Pay File, May 1977

ms.

PRIME MINISTERCABINET : POLICE AND ARMED FORCES PAY

(Mr. Whitelaw's minute of 8 May;
Mr. Stowe's letter of 8 May; and
Mr. Pym's minute of 9 May)

BACKGROUND

Cabinet discussed both these points briefly at its informal meeting on 8 May. You then agreed that the decision on police pay should be announced on Wednesday; this has now happened. The facts are set out in the Home Secretary's minute of 8 May. (attached) At the same meeting it was suggested that armed forces should be dealt with at the same time. You were not prepared to agree to this on the spot, and asked for proposals. (Mr. Stowe's letter of 8 May). The Defence Secretary sets out his suggestions in a minute of 9 May. It has since been agreed that an announcement on the Armed Forces should be postponed until after this Cabinet discussion.

HANDLING

2. I suggest you take the two groups in order.

a. Police pay. The decision has been taken and announced. You wanted Cabinet formally to ratify, for the record, the informal decision taken on Tuesday. This covers both the acceleration of the pay increase, and the question of Rate Support Grant: both are dealt with in the Home Secretary's minute, and in Mr. Stowe's letter of 8 May recording your decision. In practice your decision on the Rate Support Grant has been interpreted to mean that the cash limit will be increased to cover the Government's contribution to the additional RSG element, - i.e. the Local Authorities carry 39% of the cost (a little less in Scotland) and, so far as I am aware no colleague is likely to object to this (the extra cost of covering 100% of the award by RSG would be £15m (England and Wales)

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/and

and the precedent could be awkward later). There may be some small consequential changes to be made in the pay of non-Home Office police forces (e.g. the MOD constabulary). These are currently under review by a separate Committee under Mr. E.D. Wright set up following the Edmund-Davies report. It is due to report shortly. If these are raised, you should ask the Ministers concerned to take up the question separately with the Lord President.

b. Armed Forces. The Defence Secretary's proposals fall into three groups:

- i. Bringing forward the full level of the military salary to 1 April 1979 for all ranks covered by the AFPRB Report, including service doctors and dentists. (Strictly speaking, this last bit means anticipating the Government decision on the Doctors' and Dentists' Review Body Report, and the Chancellor may resist this. You may want to support him in the interests of getting orderly decisions.)
- ii. Postponing a decision on the higher ranks (Major General and above) until Cabinet considers the TSRB report. (The effect will be that Brigadiers will receive more pay than Major Generals until decisions are taken and implemented on the TSRB). However, no Minister is likely to object to this provided the inverse differential does not last too long.
- iii. A package of improvements in travel warrants and house purchase schemes, and in TAVR bounties. Mr. Pym is not seeking an early decision on these, and does not intend to make an immediate announcement. The question of TAVR bounties will in any case have to be referred to the AFPRB.

3. Mr. Pym also asks for decisions on cash limits to cover these three items. Since in practice he is prepared to postpone decisions on ii. and iii. above, he is only asking at this stage for an increase in the cash limits of £114 million for pay. I understand that the Chancellor of the Exchequer will be prepared to accept the increase of £111 million (i.e. excluding £3 million for service doctors) and to ask that the remainder should be postponed. The procedure would then be for Mr. Pym to take up directly with the Lord President (as Minister for the Civil Service) the issues at ii. and iii. above, to raise the question of service doctors when Ministers take the DDRB Report, and then to take up the consequential cash limits increases separately with the Chancellor or with the Chief Secretary. The same would apply to the proposals for improved local overseas allowances. Decisions here need not come back to Cabinet unless the Chancellor and Mr. Pym are unable to agree, or unless other colleagues argue that these extra bids should be looked at with other spending proposals in the public expenditure review.

4. Related matters. These two questions will raise, in the minds of Cabinet Ministers, the general question of pay policy. You might like to tell the Cabinet, therefore, that you intend to circulate an "annotated agenda" for next week's Cabinet, which will allow Ministers to have a general discussion. This will be accompanied by a detailed paper from the Chief Secretary of pay and cash limits for 1979-80, and possibly by a further paper by the Chancellor on the future of comparability. It may however be necessary to take separate and early decisions on teachers pay, and you are arranging for this to be discussed in the Ministerial Committee on Economic Strategy on Monday. (I am sending you a separate note about this). Otherwise, you should ask that no further decisions on public sector pay should be taken until the Cabinet has had a chance to review the policy generally.

CONCLUSIONS

5. You might aim to record the following conclusions from this discussion:

/a.

- a. To confirm that the recommendations of the Edmund-Davies Committee on Police pay should be implemented in full from 1 May 1979, and that the cash limits for police services should be increased accordingly with the Government providing its standard RSG contribution;
- b. To invite the Ministers concerned to settle in due course any necessary consequential increases to non-Home Office police forces if possible in correspondence with the Lord President and the Chancellor of the Exchequer;
- c. To approve implementation of the full level of military salary recommended by the Armed Forces Pay Review Body in its eighth report as appropriate at 1 April 1979 for all ranks up to Brigadier but excluding service doctors and dentists if colleagues so decide pending decisions on the Report of the Doctors' and Dentists' Review Body.
- d. To approve an increase in the cash limit for the defence budget of £114 million to cover these increases.
- e. To note that Defence Secretary will be bringing forward separate proposals for improvements in service allowances and the TAVR bounty, [] and that he and the Chancellor have authority to settle these without/ ^{further} reference to Cabinet. 7 *Further*
- f. To note that the pay of senior officers above the rank of Brigadier will be settled later in the context of the TSRB Report.
- g. To note that you will be arranging for a full discussion in Cabinet of public sector pay policy, and to invite Ministers to postpone any further decisions (except possibly for teachers until that discussion has taken place).

John
JOHN HUNT.

9 May 1979

CONFIDENTIAL



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~937022~~ 218 2111/3

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9th May 1979

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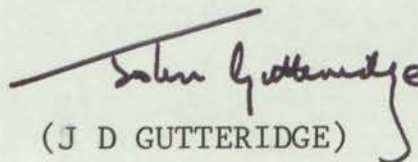
Dear Tim,

ARMED FORCES PAY

The Defence Secretary minuted the Chancellor of the Exchequer earlier today on the subject of Armed Forces Pay. Against the contingency that Ministers decide to make an early announcement on pay I attach a draft letter to Sir Harold Atcherley, the Chairman of the Armed Forces Pay Review Body, which the Prime Minister might then care to send.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours sincerely,


(J D GUTTERIDGE)

T Lankester Esq

CONFIDENTIAL
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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 071 222 2000



9 MAY 1979



CONFIDENTIAL

DRAFT LETTER TO SIR HAROLD ATCHERLEY

You will wish to know that, in accordance with the commitment given ^{by} to the present Government when in opposition, I propose to announce [today] that the pay of the Armed Forces will be brought up to the full levels recommended in your Eighth Report as being appropriate at 1 April 1979, with effect from that date. The Government will similarly put into effect, from the same date, the full rates which you will be recommending in due course in your Supplementary Report covering the pay of Service Medical and Dental Officers.

I feel sure that you will welcome this decision, which is in accordance with the views so strongly expressed in your Reports both this year and last.

CONFIDENTIAL

- 9 MAY 1979



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MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

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CHANCELLOR OF THE EXCHEQUER

FORCES PAY

I have been considering as my first priority how quickly we can implement our commitment to bring Service pay up to its proper level. The Forces manpower situation is indeed serious. The total strength is 5½% below the requirements for the early 1980s set by our predecessors.

2. I propose that we should immediately announce that the full levels of the military salary recommended by the Armed Forces Pay Review Body in its Eighth Report as being appropriate at 1st April 1979 will be paid as from that date, and that we will thereafter keep them up to date in line with the appropriate levels of pay outside.

3. This should include Service doctors and dentists for whom the Review Body has still to recommend appropriate pay levels in the light of the Government's decisions on the pay of combatant officers and of doctors and dentists in the Health Service following the recommendations of the Doctors and Dentists Review Body.

4. Paying the full level of military salary to Brigadiers will give them more than Major Generals are currently paid. But, as I indicated at Cabinet, I would be prepared to wait for the time being until decisions are taken on the Top Salaries Group as a whole before deciding the pay of the higher ranks of the Armed Forces.

/ Fully ...

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2.

5. Fully up to date pay alone will not, however, be enough; that is the least the Forces have a right to expect. As the Prime Minister indicated at Cabinet, pay and conditions of Service are best dealt with together. I propose that we should increase the assistance available to Servicemen to purchase their own homes and that we should provide additional travel warrants to alleviate the effects of family separation. In these two areas relatively small improvements can yield useful returns.

6. I should like also to put to the Armed Forces Pay Review Body a request that they consider immediately the present structure of bounties payable to the Reserve Forces, with a view to encouraging more men to join and remain in the Reserves. The Territorial and Army Volunteer Reserve is not only 15,000 below strength but also suffers from far too high a rate of turnover.

7. I believe this package of measures as the least that we should introduce in fulfilment of our undertakings and in order to permit a rapid recovery in the manning state of the Forces upon which the rest of our defence commitment depends.

8. As Cabinet appreciated, the Estimates were based on the assumption that the 5% pay limit would apply. Apart from that, our predecessors in any case had to settle these figures before the Review Body reported, with the result that the cost of the award announced by them only last month is under-provided in Estimates to the tune of £155M. The proposals in this minute would cost a further £114M for pay (including an estimated £3M for doctors and dentists), £34M for improved conditions of service and £5M for TAVR bounties - a total increase of £308M in 1979-80. There is no alternative to this unless we were to take the totally unacceptable step of cutting the defence programme. I shall be minuting you separately about other areas of this year's Defence Estimates where there is insufficient provision to maintain the programme, notably equipment and civilian pay.

9. I should like also to bring forward soon proposals to establish up to date rates of Local Overseas Allowance paid to members of the Forces serving abroad. I hope we can approve a solution without additional expenditure but I may have to ask for up to about £5M.

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/ To ...

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3.

10. To summarise, I am asking for agreement:

a. to announce at once that pay will be brought fully up to date from 1st April 1979 and maintained at the appropriate level thereafter for all ranks covered by the Armed Forces Pay Review Body.

b. in principle to the early introduction of the improved conditions of service in paragraph ~~4~~⁵ above.

c. conditional on a recommendation by the Review Body, to improve bounties for the Reserves.

d. to increase the Defence Estimates by £303M, plus a further £5M contingent on c. above.

11. I am copying this minute to the Prime Minister, the Home Secretary, the Foreign and Commonwealth Secretary, the Lord President of the Council, the Secretaries of State for Employment and for Health and Social Security; and to Sir John Hunt.

9th May 1979

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Defence



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~938 7082~~ 218 2111/3

CONFIDENTIAL

MO 4/4

9th May 1979

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Dear Tim,

ARMED FORCES' PAY

I attach a draft of a statement which might be issued to the Press if Ministers accept the proposals in the minute which my Secretary of State sent to the Chancellor earlier today.

Subject to your views, we consider that it would be appropriate for the statement to be issued by the Defence Secretary. We would hope that if agreement can be reached at Cabinet tomorrow the statement could be issued tomorrow afternoon. We will be considering further arrangements for briefing the Press, but it is likely that the Defence Secretary would want to give interviews for radio or television at which he would underline the Government's commitment to the Armed Forces.

I am copying this letter to the Private Secretaries to the Ministers who received the Defence Secretary's minute earlier today, and to Martin Vile (Cabinet Office).

John Omand
(D B OMAND)

Tim Lankester Esq.,
10 Downing Street

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DRAFT STATEMENT

ARMED FORCES' PAY

One of the Government's first tasks must be to stop the very damaging outflow of experienced and skilled officers and men from the Armed Forces.

In its Eighth Report this year the Armed Forces' Pay Review Body recommended the rates of pay, representing an average net increase of 32½%, which it considered appropriate at 1st April and emphasised that the earliest possible restoration of competitive pay levels was the least that is needed. The Body went on to say that it would then be essential to maintain them in line with earnings outside according to the accepted standards.

The previous Government did not act on these recommendations. Instead it increased the pay of the Forces by no more than 24.2% on average, with effect from 1st April this year.

The present Government has decided, in accordance with the pledges which it gave while in opposition, to implement the recommendations of the Review Body in full.

This means that, with effect from 1st April this year, the Forces' pay will be increased by the full amounts recommended. New detailed pay scales are attached.

/ Having ...

Having thus restored the pay of Servicemen to the levels of their counterparts, the Government undertakes to maintain it thereafter at those levels.

CONQUEROR

LONDON

ARMY
NORMAL RATES

Rank	New rates of pay	
	Daily	Annual
	£	£
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Second-Lieutenant(SSLIC) After 9 months	8.97	3283
Second-Lieutenant(RCC) /	10.40	3806
Second-Lieutenant	11.89	4352
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After 3 years in the rank	15.90	5819
After 4 years in the rank	16.29	5962
Captain - On appointment	18.31	6701
After 1 year in the rank	18.81	6884
After 2 years in the rank	19.31	7067
After 3 years in the rank	19.81	7250
After 4 years in the rank	20.31	7433
After 5 years in the rank	20.81	7616
After 6 years in the rank	21.31	7799
Major - On appointment	23.07	8444
After 1 year in the rank	23.62	8645
After 2 years in the rank	24.17	8846
After 3 years in the rank	24.72	9048
After 4 years in the rank	25.27	9249
After 5 years in the rank	25.82	9450
After 6 years in the rank	26.37	9651
After 7 years in the rank	26.92	9853
After 8 years in the rank	27.47	10,054
Special List		
Licutenant-Colonel	30.31	11,093
Lieutenant-Colonel - On appointment with less than 19 years' service	29.84	10,921
After 2 years in the rank or with 19 years' service	30.63	11,211
After 4 years in the rank or with 21 years' service	31.42	11,500
After 6 years in the rank or with 23 years' service	32.21	11,789
After 8 years in the rank or with 25 years' service	33.00	12,078
Colonel - On appointment	35.05	12,828
After 2 years in rank	35.97	13,165
After 4 years in rank	36.89	13,502
After 6 years in rank	37.81	13,838
After 8 years in rank	38.73	14,175
Brigadier	41.67	15,251

*Education Grant of £ 2.02 daily (£737 p.a) is paid in addition.

/ Officers attending a Regular Career Course immediately after attending the Standard Military Course at Royal Military Academy, Sandhurst.

xx Committal pay at the appropriate rate is also payable.

3

ARMY

New rates of pay for those committed to serve for:

Rank	Less than 6 years Scale A			6 years but less than 9 years Scale B			9 years or more Scale C					
	Band 1	Band 2	Band 3	Band 1	Band 2	Band 3	Band 1	Band 2	Band 3			
Private Class IV ...	£ 8.68	—	—	£ 8.98	—	—	£ 9.43	—	—			
Private Class III ...	9.27	10.33	—	9.57	10.63	—	10.02	11.08	—			
Private Class II ...	9.89	10.95	—	10.19	11.25	—	10.64	11.70	—			
Private Class I ...	10.55	11.61	12.81	10.85	11.91	13.11	11.30	12.36	13.56			
Lance Corporal Class III ...	10.55	11.61	—	10.85	11.91	—	11.30	12.36	—			
Lance Corporal Class II ...	11.26	12.32	—	11.56	12.62	—	12.01	13.07	—			
Lance Corporal Class I ...	12.01	13.07	14.27	12.31	13.37	14.57	12.76	13.82	15.02			
Corporal Class II ...	12.81	13.87	—	13.11	14.17	—	13.56	14.62	—			
Corporal Class I	13.66	14.72	15.92	13.96	15.02	16.22	14.41	15.47	16.67			
	Band 4	Band 5	Band 6	Band 7	Band 4	Band 5	Band 6	Band 7	Band 4	Band 5	Band 6	Band 7
Sergeant ...	£ 14.66	£ 15.79	£ 17.09	—	£ 14.96	£ 16.09	£ 17.39	—	£ 15.41	£ 16.54	£ 17.84	—
Staff Sergeant ...	15.43	16.56	17.86	19.34	15.73	16.86	18.16	19.64	16.18	17.31	18.61	20.09
Warrant Officer 2 ...	16.23	17.36	18.66	20.14	16.53	17.66	18.96	20.44	16.98	18.11	19.41	20.89
Warrant Officer 1	17.07	18.20	19.50	20.98	17.37	18.50	19.80	21.28	17.82	18.95	20.25	21.73

paid in Band 5 or above

paid in Band 2.

Sergeants and above whose employment classification is Class II and Corporals whose employment classification is Class III shall be paid £0.12 or £0.06 a day respectively less than the rates shown.

Extract from Informal Cabinet Meeting, 8 May 1979 at 2.30 pm

b. Armed Forces Pay

(1) Ministers also wished, if possible, to have announced their decision on Armed Forces pay but noted that this involved a decision on top salaries in the Armed Forces, otherwise Brigadiers would be getting more than Major-Generals. Nevertheless, you asked for urgent consideration to be given to an announcement of the decision on Armed Forces pay, including consideration of the TSRB aspect. A separate note on the TSRB Report (which covers the pay of senior officers in the Armed Services, Judges, Nationalised Industry Board members and senior officials) is at Flag B.

(2) The Defence Secretary has now submitted a proposal, attached at Flag C, which recommends that the full military salary shall be paid from 1 April 1979 and that this should be announced forthwith, leaving the Top Salaries aspect on one side for the time being. Cabinet colleagues will no doubt agree with this. The Defence Secretary also raises the question whether the Defence Estimates should be increased by £303 millions to cover the cost of this further increase - this financing question is also covered in the note at Annex A.

At Flag B
is a draft
statement which
Mr Pym proposes
to make.

R.

