PREM 19/1441

PART 2.

Confidential Filing.

Armed Forces Pay.

Service Doctors & Dentists Pay.

Local Overseas Allowance.

DEFENCE

Part 1: May 1979

Part 2: March 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~2.4.85~~							
~~22.4.85~~							
~~23.4.85~~							
~~10.6.85~~							
~~19.6.85~~							
~~26.6.85~~							
~~15.7.85~~							
~~18.7.85~~							
~~9.8.85~~							
~~30/8/85~~							
~~21/11/85~~							
~~9.12.85~~							
~~12.12.85~~							
PT 2 ENDS							

PREM 19/1441

PART 2 ends:-

PM to SIR P. MATTHEW 12/2

PART 3 begins:-

SIR P. MATTHEW to PM ~~12/2~~ 11.4.86

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(PSP) (82)7	24.3.82
CC(85) 19th Conclusions, Minute 4.	6.6.85

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed C Wayland Date 28 November 2013

PREM Records Team

File ECL
a MOD
TSY

10 DOWNING STREET

THE PRIME MINISTER

12 December 1985

Dear Sir Peter,

Thank you for your letter of 20 November containing the Review Body's recommendations on London Weighting for the Armed Forces from 1 April 1985.

I am writing to let you know that the Government have decided to implement your recommendations in full. I am grateful to you and the other members of the Review Body for the work that has been done.

Yours sincerely

Margaret Thatcher

Sir Peter Matthews, A.O.

CC86

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~930 7822~~ 218 2111/3

CF WRB.
Please check that the Treasury are indeed content with this. DRS 11/12

MO 4/4L

9th December 1985

HMT Content.

pa.

Dear David,

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

My Secretary of State has seen your letter of 21st November enclosing the Armed Forces Pay Review Body's recommendations on London Weighting for the Armed Forces.

He is content to accept the recommendation in full. The extra costs of £450,000 can be contained within existing defence budget provisions. A draft reply on these lines to Sir Peter Matthews is attached as you requested. The substance of this has been agreed with other interested departments.

I am copying this letter to Tony Kuczys (Treasury), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Leigh Lewis (Department of Employment) and to Michael Stark (Cabinet Office).

Yours sincerely,

Denis Brennan

(D BRENNAN)

David Norgrove Esq
10 Downing Street

Defence Armed forces Pt 2

Pay

85

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

Thank you for your letter of 20 November containing the Review Body's recommendations on London Weighting for the Armed Forces from 1 April 1985.

I am writing to let you know that the Government have decided to implement your recommendations in full. I am grateful to you and the other members of the Review Body for the work that has been done.

Please type for PM sign.
DCV

AO

Defence Pt 2

Armed forces Pay

CONFIDENTIAL

File A

10 DOWNING STREET

From the Private Secretary

21 November 1985

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

I attach a copy of a letter the Prime Minister has received from Sir Peter Matthews, Chairman of the Review Body on Armed Forces Pay, about London weighting for members of the armed forces from 1 April 1985. I should be grateful if you would let me have a draft reply for the Prime Minister's signature, agreed with the Treasury and other Departments concerned, as soon as possible.

I am copying this letter to Tony Kuczys (HM Treasury), Andrew Lansley (Chancellor of the Duchy of Lancaster's office), Leigh Lewis (Department of Employment) and to Michael Stark (Cabinet Office.

(David Norgrove)

Richard Mottram, Esq.,
Ministry of Defence.

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

CYBG

CF

R27

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

20 November 1985

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

1. The Review Body has recently considered the levels of London Weighting which would be appropriate for members of the armed forces with effect from 1 April 1985. In accordance with previous practice we are conveying our recommendations by letter rather than in the form of a supplement to our 1985 report: only a small proportion of men and women in the Services is affected.

2. Prior to 1982 London Weighting for the armed forces had been calculated on the basis proposed by the Pay Board[1], but modified to take account of the specific circumstances of the armed forces. Following the discontinuance in October 1982 of the publication of the Department of Employment indices which updated the Pay Board formula, we considered a number of approaches to setting the levels of London Weighting for the armed forces. We concluded that, in the case of the armed forces, London Weighting was more in the nature of a reimbursement of additional costs than a payment aimed at recruitment and retention in a locality. Members of the armed forces are compulsorily posted (on a temporary basis) to London whereas in civilian life most people have some choice as to whether or not they live and work in London. In the last two years we have therefore recommended levels of London Weighting which, in our judgment on the basis of available information, represented a fair reimbursement for the extra costs of living and working in London in the particular circumstances of the armed forces.

---

[1]Pay Board Advisory Report 4, London Weighting, Cmnd 5660 July 1974.

3. This year, we have again concluded that this approach remains the right one and on this basis we recommend the following rates of London Weighting as appropriate for members of the armed forces with effect from 1 April 1985 (the current rates are in brackets).

	Inner London £ p.a.	Outer London £ p.a.
Basic rate	657 6% (620)	370 5.1% (352)
Owner-Occupier rate	1,018 8.3% (940)	515 6.8% (482)

4. We estimate the additional annual cost arising from this recommendation to be about £450,000.

Yours Sincerely

Peter Matthews

SIR PETER MATTHEWS
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

Armed Forces Pay: DEFENCE. PART 2.

CONFIDENTIAL

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

Prime Minister
To note
DRN
2/9.

2

Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
WHITEHALL
London SW1A 2HB

30 August 1985

Dear Michael

GOVERNMENT EVIDENCE TO THE ARMED FORCES PAY REVIEW BODY (AFPRB)

Thank you for your letter of 9 August 1985.

We are agreed on the importance of striking the right balance between comparability and other vital factors in evidence to the AFPRB, in accordance with the E(PSP) decision of 1983. My letter of 15 July also suggested similar care over future public statements, as unnecessary references to the 1979 commitment can feed expectations - not only among the Armed Forces.

I appreciate the importance which the Services attach to the principle of comparability and the sensitivity of the issue for you. I am not suggesting that we can abandon the principle altogether, only that the phrase "full comparability" appears inconsistent with giving adequate weight to the counterbalancing factors identified by E(PSP). If comparability is to be "full", what notice will be taken of affordability?

I do not pretend that moderating the language will in itself have any great effect upon the level of award recommended by AFPRB, although even a reduction of 0.5% would release over £15 million for your budget. But I am concerned that repeated use of the phrase by MOD may increase demands for fuller comparability from other parts of the public sector, where the costs could become more worrying. It would, therefore, be most helpful if you could agree to speak in future of "comparability" rather than "full comparability", and to avoid unnecessary references to the 1979 manifesto to be helpful steps.

I note that you are not showing this correspondence to any of your military advisers, and will take corresponding steps to ensure that my officials make no reference to it in the wider and more general discussions on pay matters between our departments.

I am sending copies of this letter to the Prime Minister and Sir Robert Armstrong.

Yours
Nigel

NIGEL LAWSON

DEFENCE: Armed Forces Pay: Pt 2

Prime Minister ②
To note.
MCA 12/8

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 4/4L

9th August 1985

Dear Nigel

MO

GOVERNMENT EVIDENCE TO THE ARMED FORCES PAY REVIEW BODY (AFPRB)

Thank you for your letter of 15th July 1985.

The Services attach enormous importance to seeing their pay maintained at comparable civilian levels, and I have no doubt that if we let it fall behind, we should quickly get into the problems of the late 1970s once more. The Services have confidence in the present system for setting their pay and, above all, in the Government's handling of this very sensitive matter. They do not believe that honouring our 1979 commitment means that it can now be quietly dropped and forgotten. Nor do I. I enjoyed your argument that by honouring our commitment thus far, we had discharged it. On the same approach presumably we could honour our NATO commitment in any future conflict by participating in the first day's hostilities and then giving up.

The Rt Hon Nigel Lawson MP

3. It is also not the case that the recruitment and retention position in the Armed Forces suggests it is no longer necessary to talk of comparability. In fact figures for retention at least suggest that, as the economy picks, we shall face increasing difficulty in retaining those with marketable skills.

4. The truth is that the Services and their senior management attach considerable importance to the principle of comparability partly because they have seen what has happened elsewhere in the public service when that principle is dropped. In this Department and its outstations, they work directly alongside Civil Servants. They could be forgiven for being suspicious that an end to full comparability would not mean a more sophisticated set of judgements about what was needed to recruit and retain in competition with outside employers but rather an imposed single figure for all ranks set at or below the level of inflation. As a result of the level of concern over this issue, there is no way in which we can modify our evidence by stealth.

5. I do not want, however, to minimise the difficulties which the commitment to full comparability causes me. The problems of accommodating within the defence budget year after year pay awards which are well above the pay factor are becoming increasingly severe. That is why, of course, the Government's evidence to the AFPRB next year will have to strike a balance, as it did this year, between the commitment to full

comparability and affordability.

6. Because this is such a sensitive issue with the Services I have not shown your letter or my reply to any of my military advisers. I should be grateful if the correspondence is not referred to in any wider and more general discussion of pay matters between the Treasury and my Department.

7. I am sending copies of this letter to the Prime Minister and Sir Robert Armstrong.

Yours ever

Michael

Michael Heseltine

DEFENCE: Armed Forces Pay Pt 2

Thursday 18 July 1985

(Answered by the Prime Minister on Thursday 18 July, pursuant to her reply to Eric Forth MP on 6 June 1985)

THE PRIME MINISTER:

The Armed Forces Pay Review Body have submitted to me a Supplementary Report on the pay of Medical and Dental Officers in the Armed Forces. It recommends increases of between 4.9% and 8.4% according to rank with effect from 1 June 1985. This reflects the awards to civilian doctors and dentists that I announced in the House on 6 June 1985 (Official Report, vol 80, No. 128, cols 194-6).

The Government has decided to accept in full the recommendations in the Supplementary Report on the pay of Medical and Dental Officers. The Report has been published as Cmnd 9568 and copies are available in the Vote Office.

CONFIDENTIAL

file

10 DOWNING STREET

From the Private Secretary

17 July 1985

AFPRB: DOCTORS AND DENTISTS

The Government has accepted the recommendations of the AFPRB on doctors and dentists in the Armed Forces. This will be announced on Thursday afternoon either as a self-standing Written Answer, or, if the TSRB announcement is made, as an addition to that.

I enclose a letter to Sir Peter Matthews together with a copy of the Answer. I would be grateful if you could pass the letter to Sir Peter during the course of Thursday morning.

ANDREW TURNBULL

R Williams Esq
Office of Manpower Economics
22 Kingsway
London WC2

CONFIDENTIAL

10 DOWNING STREET

THE PRIME MINISTER

17 July 1985

Dear Sir Peter

Sir David Orr's letter to me of 25 June forwarded the recommendations of the Armed Forces Pay Review Body on the pay of Service Medical and Dental Officers.

I am writing to let you know that the Government have decided to accept the recommendations in full. This decision will be announced by means of a Written Answer in the House of Commons on 18 July. The Supplement to the 14th Report will be published at the same time as Cmnd 9568.

I am, again, extremely grateful to the Review Body members for the work that has gone into this Report.

Yours sincerely

Margaret Thatcher

Sir Peter Matthews, A.O.

10 DOWNING STREET

Prime Minister (1)

Content with this recommendation?
The reply goes to Sir Peter Matthews
as Sir David Orr has now
retired as Chairman of the
AFPRB.

AT
16/7

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

16th July 1985

Dear Andrew,

AFPRB - SERVICE MEDICAL AND DENTAL OFFICERS

In your letter of 26th June you asked for a draft reply from the Prime Minister to Sir David Orr's letter of 25th June about the AFPRB's supplementary report on the pay of medical and dental officers in the Armed Forces. This is now attached together with a draft written answer for your consideration.

The report proposes increases in medical military salaries of between 4.9% and 8.4% according to rank. In line with the Government's decision on the implementation of the Doctors and Dentists Review Body recommendations, it is proposed by the AFPRB that the Service pay award should take effect from 1st June 1985. This would increase the estimated pay bill for the personnel concerned for 1985/86 by 4.9%. In a full year, the increase would be around 5.8%. My Secretary of State proposes that the Government should accept the AFPRB's recommendations. I understand that the Secretary of State for Health and Social Security concurs. I also understand that the Chancellor of the Exchequer is prepared to accept these recommendations subject to the Defence Secretary assuring him that he is prepared to accept the pay differential that will arise between a Service officer at the two star level and a one star medical or dental officer as a result of the Government's proposed handling of the TSRB and AFPRB recommendations. If any one of the options under consideration for implementation of the TSRB recommendations is adopted, the Defence Secretary would reluctantly accept the resulting reverse differential which would occur for a period of one month.

I understand also that, this year, you will be making arrangements for the publication of the report. The draft Parliamentary Answer assumes that you will arrange for publication to coincide with that announcement. Perhaps you would give us early warning of the date so that we are ready for any press enquiries etc. We shall need 500 copies of the supplementary Report on the day for our own consumption and I should be grateful if you will arrange for these to reach us as early as possible. I am copying this letter to recipients of your letter.

Yours ever,
Denis

(D BRENNAN)

A Turnbull Esq
10 Downing Street

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CONFIDENTIAL

File with AT

Prime Minister (2)
To note
AT 16/7

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

15 July 1985

The Rt. Hon. Michael Heseltine MP
Secretary of State for Defence

Dear Michael

GOVERNMENT EVIDENCE TO THE ARMED FORCES PAY REVIEW BODY (AFPRB)

Now that we have accepted the AFPRB's 1985 Report, I wonder if we might reflect further on the economic evidence which you submitted to the Review Body in February. I am grateful to you for strengthening the sections on recruitment, retention, job security and affordability in keeping with the material submitted to the other three Review Bodies.

I was, however, unhappy with your decision to retain references to the Government's 1979 commitment to "full comparability" for the Armed Forces. I do not think these can really be regarded as consistent with the decision we took in E(PSP) in October 1983, to which I referred in my letter of 24 January. In any case, the 1983 Manifesto made it clear that we had honoured (and so discharged) that commitment, while the present recruitment and retention position in the Armed Forces suggests that it is no longer necessary to talk of full comparability, but very necessary to emphasise cost.

Naturally, I am not suggesting that we need to make a formal Government statement on this. But the situation today is clearly different from that of 1979, and I am sure you would agree that it would therefore be wiser to omit references to "full comparability" from future statements and Government evidence to the AFPRB.

I am copying this letter to the Prime Minister and to Sir Robert Armstrong.

Yours
Nigel

NIGEL LAWSON

DEFENCE: Armed Forces Pay: Pt 2.

CONFIDENTIAL FILE

10 DOWNING STREET

From the Private Secretary

26 June, 1985

Dear Richard

ARMED FORCES PAY REVIEW BODY

I enclose a copy of the Review Body's Supplementary Report on the pay of medical and dental officers in the Armed Forces, which the Prime Minister received under cover of a letter from Sir David Orr on 25 June.

I would be grateful if you would let me have a draft reply for the Prime Minister's signature together with a draft written answer after the necessary consultations and decisions have been taken.

I am copying this letter and its enclosure to Rachel Lomax (HM Treasury), Steve Godber (DHSS) and Brian Unwin (Cabinet Office).

Yours sincerely

Andrew Turnbull

(Andrew Turnbull)

R. Mottram, Esq.,
Ministry of Defence.

CONFIDENTIAL

OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON
SW1

25 June 1985

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

I enclose our supplementary report on the pay of medical and dental officers in the armed forces. As you will know, we could not complete our work on this until the Government's decisions on increases in pay for doctors and dentists in the National Health Service had been made known. Our recommendations take account of those decisions.

→ at back

Yours sincerely

David

DAVID ORR
Chairman
Review Body on
Armed Forces Pay

CONFIDENTIAL

EU

10 DOWNING STREET

19 June 1985

From the Private Secretary

REVIEW BODY ON ARMED FORCES PAY

In her letter to you of 10 June the Prime Minister said that she would let you know the Government's decision on the question of additional pay for 602 Signal Troop as soon as possible.

I am now writing to let you know that the Government has decided to accept your recommendations.

(Andrew Turnbull)

Sir David Orr, M.C.

CONFIDENTIAL

CONFIDENTIAL

EC

10 DOWNING STREET

19 June 1985

From the Private Secretary

REVIEW BODY ON ARMED FORCES PAY

I attach a copy of the letter to Sir David Orr signifying the Government's acceptance of the recommendations on 602 Signal Troop.

I am copying this letter to Rachel Lomax (H.M. Treasury) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Denis Brennan, Esq.,
Ministry of Defence.

CONFIDENTIAL

NRPM GR
AT PC
19/6

CONFIDENTIAL

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

18th June 1985

Dear Andrew,

REVIEW BODY ON ARMED FORCES PAY

I mentioned in my letter of 7th June that officials here were considering the confidential recommendations of the Armed Forces Pay Review Board (AFPRB) of personnel in 602 Signal Troop. The AFPRB recommendations were set out in Sir David Orr's letter of 22nd April to the Prime Minister. We have consulted the Treasury on this and the advice is that the recommendations should be accepted.

If the Prime Minister is content, I attach a draft letter which you might send to Sir David Orr notifying him of this decision. Perhaps you would also let me know so that we can take action to implement the decision.

I am copying this letter to Rachel Lomax (Treasury) and to Richard Hatfield (Cabinet Office).

Yours ever,

Denis

(D BRENNAN)

A Turnbull Esq
No 10 Downing Street

CONFIDENTIAL

PC type to
PS signature

DRAFT LETTER FROM NO 10 TO SIR DAVID ORR — at Office of Manpower Economics
22 Kingsway
London WC2B 6JY

REVIEW BODY ON ARMED FORCES PAY

In her letter to you of 10th June 1985 the Prime Minister said that she would let you know the Government's decision on the question of additional pay for 602 Signal Troop as soon as possible.

I am now writing to let you know that the Government has decided to accept your recommendations.

Armed Forces Pay : Defence Pt 2 : 1

file SRW

action

10 DOWNING STREET

THE PRIME MINISTER

10 June 1985

Dear Sir David,

Thank you for your letter of 22 April enclosing the Review Body's recommendations on the pay and charges of the Armed Forces from 1 April 1985.

As you know, the Government has decided to implement immediately the full recommendations. Once again, we are extremely grateful to you and your colleagues on the Review Body for all the work you have done. Perhaps you would pass on my personal thanks to them.

I look forward to receiving your further recommendations on the pay of medical and dental officers in due course. I am considering the question of additional pay for certain Signals personnel referred to in your letter and I will let you know our decision on that as soon as possible.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

OW

CONFIDENTIAL

GR Please type AT
to PM signature

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~XXXXXX~~ 218 2111/3

MO 4/4

7th June 1985

Dear Andrew,

I attach the draft of a letter which the Prime Minister might send to Sir David Orr thanking him and his colleagues for the work they have done in producing this year's AFPRB report.

The AFPRB's supplementary report on the pay of Service medical and dental officers is expected to be completed by about the end of this month and we shall be in touch about that separately. Officials are considering urgently the confidential recommendations of the AFPRB on the pay of certain Signals personnel, and we shall provide advice on this as soon as possible.

Yours ever,

Denis

(D BRENNAN)

A Turnbull Esq
No 10 Downing Street

CONFIDENTIAL

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR, MC

Thank you for your letter of 22 April enclosing the Review Body's recommendations on the pay and charges of the Armed Forces from 1 April 1985.

As you know the Government has decided to implement immediately the full recommendations ~~at once~~. Once again, we are extremely grateful to you and your colleagues on the Review Body for all the work you have done. Perhaps you would pass on my personal thanks to them.

I look forward to receiving your further recommendations on the pay of medical and dental officers in due course. I am considering the question of additional pay for certain Signals personnel referred to in your letter and I will let you know our decision on that as soon as possible.

SECRET FILE DA 5

bc Mr. Gregson

10 DOWNING STREET

From the Private Secretary

23 April 1985

Armed Forces Pay Review Body

I enclose a copy of the Report of the Armed Forces Pay Review Body. Also enclosed is a copy of Sir David Orr's covering letter which raises separately the question of pay for personnel in 602 Signal Troop. The Prime Minister has asked that this Report should, for the time being, be shown only to the Secretary of State and the Permanent Secretary. I am sending a copy, on a similar basis, to Rachel Lomax (HM Treasury).

A meeting has been arranged for 8 May to discuss the Review Body Reports.

(Andrew Turnbull)

Richard Mottram, Esq.,
Ministry of Defence.

SECRET

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

cc Mr Gregson + Secs No 2
cc Richard Holtham
Rachel Lomax

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

22 April 1985

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

I enclose the Review Body's Fourteenth Report, which contains recommendations on levels of military salaries and of food and accommodation charges for members of the armed forces which we consider appropriate at 1 April 1985. As usual, we will put forward our recommendations on the pay of medical and dental officers at a later date, when decisions on the remuneration of general medical practitioners in the National Health Service are known.

There is a further matter which we have considered during this review and on which, for security reasons and at the request of the Ministry of Defence, we put forward recommendations outside our report. This relates to the introduction of additional pay for personnel in 602 Signal Troop (Special Communications). This Troop provides special communications for Government agencies. Members of the Troop are all volunteers, and the standard of skill they are required to achieve is considerably higher than for other personnel working in the same specialisations elsewhere. In recognition of the need to attract volunteers, given these specialist skills and the type of work they carry out, Radio Telegraphists in the troop have been paid, since 1970, one pay band higher than that laid down for their employment qualification. However, personnel in other specialisations in 602 Signal Troop receive no additional payments.

The Ministry of Defence have informed us that the pay lead for Radio Telegraphists in 602 Signal Troop has been eroded, at the ranks up to Corporal, because Radio Telegraphists in other Royal Signals' units were up-banded to the same level in 1983. It is not feasible to increase further the pay of Radio Telegraphists in 602 Signal Troop through the pay banding system as they are already in the highest pay band for those ranks. The Ministry of Defence have proposed, therefore, that the 'one pay band up' approach be abandoned and replaced by additional pay. They have also proposed that additional payments be made to those in other specialisations in 602 Signal Troop.

We have noted the problems of attracting volunteers to 602 Signal Troop in the Radio Telegraphist specialisation and we are convinced of the need to reintroduce a financial incentive to encourage personnel in this specialisation to volunteer. We are, however, less convinced of the case for introducing additional pay for those in 602 Signal Troop who are in other specialisations. These personnel have not previously received additional

payments and the manning situation for them is generally satisfactory. We therefore recommend that, with effect from 1 April 1985, personnel in the Radio Telegraphist specialisation in 602 Signal Troop be paid in the pay band appropriate to their employment qualification but that they receive additional pay at the rate of £3.00 a day for ranks up to and including Corporal and £4.00 a day for ranks above Corporal up to and including WO1. We recommend no change in the current pay arrangements for other personnel in 602 Signal Troop.

Yours sincerely

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

VAEPRB

JD3ABB

STRICTLY PERSONAL AND CONFIDENTIAL COPY NO. 4 OF 4 COPIES

Subject File

cc Master

10 DOWNING STREET

From the Principal Private Secretary

22 April, 1985.

Dear Richard,

Armed Forces Pay Review Body

Sir David Orr, the Chairman of the Armed Forces Pay Review Body, and Sir Peter Matthews called on the Prime Minister this morning at Sir David's request to tell the Prime Minister about the recommendations of the Armed Forces Pay Review Body's Report and the background to them.

Sir David Orr said that this was the first time that he had asked to see the Prime Minister personally as Chairman of the Armed Forces Pay Review Body, and he was conscious that the recommendations in the Report would create a difficult problem for the Government. As background, he described the morale of the Armed Forces as excellent, but brittle: they felt under pressure as result of their extensive commitments, and were particularly exercised by the extent of separation from their families. The handling of their allowances, not only the local cost of living allowance, but also those for disturbance and mileage, also caused grievance. They recognised that they had been well treated on pay, and had great confidence in the assurances given by the Government. Last year's staging had been accepted, but with some cynicism that this might be the thin end of the wedge.

Sir David continued that he understood the Government's budgetary problems, but the AFPRB had a responsibility to make recommendations which were fair to those concerned as well as to the taxpayer. The recommendations in their report were at the lowest level consistent with the evidence before them. They had also taken account of market conditions as reflected in recruitment rates. For this reason they were recommending 4% for the lowest recruits, but the recommendations ranged through 4½% to 6½% for longer serving Privates to 7½% for skilled men at Corporal level who were equivalent to production workers in manufacture. The total level of increase recommended for the regular forces was 7.06%. But larger increases had had to be recommended for Reservists bringing the overall total to 7.3%.

Sir David said that rejection or even staging of these recommendations would be a blow to the Armed Forces, especially since comments by the Service media and the allowances issue had made them sensitive. Wastage was

STRICTLY PERSONAL AND CONFIDENTIAL

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increasing, and he hoped that the Prime Minister would consider making an immediate statement that the Armed Forces were a special category which justified the acceptance of the recommendations in full. He believed that, if such a statement were made immediately and positively, there would be little political flak, and the effect on morale would be very good.

The Prime Minister said that she was surprised that the issue of local allowances was causing so much difficulty since in 5 places there had been increases, and the implementation of the reductions had been deferred until August. There might be a case for considering a different system. As regards the general recommendations, her difficulty was that these would leave less for equipment, and this would cause less employment than there would otherwise have been in the supply industries. She did not think it possible to solve the problem by reducing numbers.

Sir David Orr agreed that it might be worth considering an alternative to the allowances system: the mileage allowance was very low, and members of the Armed Forces lost money when they had to transfer their families between postings. The local cost of living allowance had particularly affected those in Germany, and there was some problem of morale in Hong Kong. Elsewhere, e.g., in Cyprus or Northern Ireland, there was less problem. He would not pretend that there was a risk of large numbers leaving, but the Services were vulunerable in respect of those with the most marketable skills who were also the most difficult to replace. He agreed that the reduction of numbers did not offer a solution: there were also already complaints about reductions in civilian support staff. The Review Body had been pressed for an increase in the "X factor"; but they had thought it better to face the issues of increases directly.

The Prime Minister concluded the discussion by saying that the Review Body's report would present the Government with a problem, but she was most grateful to Sir David for coming to explain the background, and she and her colleagues would naturally give much weight to what he had said.

The AFPRB report was subsequently received in this office.

I am sending copies of this letter to Rachel Lomax (HM Treasury), and to Sir Robert Armstrong (Cabinet Office).

Yours ever,

Robin Butler

F.E.R. Butler

Richard Mottram, Esq.,

Ref. A085/1128

MR BUTLER

Armed Forces Pay Review Body

Sir David Orr, the Chairman of the Armed Forces Pay Review Body (AFPRB), and his designated successor, Sir Peter Matthews, are coming to see the Prime Minister on Monday 22 April at 11.30 am, to present the background to the AFPRB's report, which is (I understand) likely to reach 10 Downing Street on Monday 22 April.

2. In his presentation, Sir David Orr is likely to tell the Prime Minister that morale in the armed services is high, but that they feel increasingly under pressure, with more commitments and fewer people with which to meet them, more and longer periods of separation from families and less leave. Some wives are getting rather stroppy. There is some sense of grievance about the way in which allowances are paid, which is thought to be mean. For instance, because of the way in which allowances are paid, a serviceman moving back from Germany to the United Kingdom may be anything from £200 to £500 out of pocket. Nonetheless, confidence in the Government's commitment to maintain forces' pay at the level of their civilian counterparts is good. It is very heavily relied on, and last year's staging generated some suspicion about the Government's willingness to maintain the commitment for the future. The effects upon morale and upon retention of abandoning the commitment could be serious.

3. The AFPRB has to work within its terms of reference, requiring it to advise on the pay levels required to maintain rates of remuneration broadly comparable with those prevailing in civilian life. These terms of reference are reinforced by repeated Ministerial commitments to maintain forces' pay at the level of their civilian counterparts. Within this framework the

AFPRB has tried to keep the levels of its recommendations down to the lowest which the evidence will permit, recognising the Government's problem of affordability. The rates recommended vary at different levels: for some recruits as low as 4 per cent, but for skilled men at Corporal level up to 7½ per cent. The overall level of increase recommended is 7.06 per cent (or 7.3 per cent when account is taken of increases for reservists).

4. Sir David Orr recognises that these figures will not be welcome to the Government, but will empahsise that for the Government to reject the report would have a profoundly serious effect. He clearly believes that morale would be badly affected, and that many servicemen would leave. Even a decision to stage again this year would be greeted with great cynicism. Sir David Orr will suggest that, if the Government could reach a quick decision and make an early announcement, well ahead of the reports of the Review Bodies on Doctors' and Dentists' Remuneration and on Nurses' and Midwives' Remuneration, the increase for the forces could well be treated, presented and accepted as sui generis, because of the unique importance and value of the forces in protecting the security of the country.

5. I should only add that (as you know) Sir David Orr has been very ill with pneumonia. He is clearly still frail and will find the effort of coming to see the Prime Minister something of a strain. He will obviously be ready to answer any questions the Prime Minister wants to put to him, but I think it would be a kindness if the Prime Minister felt able to let him complete his presentation before putting her questions or making her points.

6. Sir David Orr asked who would be with the Prime Minister when she saw him and Sir Peter. I said that the Secretary of State for Defence would not be there: she would be accompanied only by you and me.

RTA

ROBERT ARMSTRONG

18 April 1985

RO7

FILE

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

ARMED FORCES PAY REVIEW BODY

Thank you for your minute (A085/982), which the Prime Minister has read and noted. The Prime Minister would be glad to see Sir David Orr on the basis suggested in your minute and could offer him half an hour at 1130 hrs on Monday 22 April. Perhaps your office could confirm to Mrs Ryder in due course whether Sir David Orr could manage this time.

BF

RB

2 April 1985

10 DOWNING STREET

Caroline Ryder

Pl. will you suggest a date in the week beginning 22 April.

30 minutes needed

FERB

1.4.

FERB.

11.30 - 12.00
Monday 22 April.

CR.
2/4.

Prime Minister
Agree to meet
Sir David Orr?
FERB
29.4

Ref. A085/982

MR BUTLER

Armed Forces Pay Review Body

Sir David Orr, the Chairman of the Armed Forces Pay Review Body, rang up this morning. He was speaking from a sick bed as he has had a bad attack of influenza and was clearly not at all well.

2. He said that the Armed Forces Pay Review Body had more or less agreed upon its lines of recommendation and its report was nearing completion. He made it clear that the Government was likely to find the recommendations unwelcome. He thought that, before he submitted it, it would be useful if he could come to see the Prime Minister, to explain the background to her. He would like to bring his successor, Sir Peter Matthews, with him; and he would prefer to see the Prime Minister without any other Ministers being present (though he would be content for me to be there).

3. I said that in my judgment it would be useful for him to come and see the Prime Minister privately before the report was formally submitted. We agreed that it would not now be possible for such a meeting to take place before Easter, not least because of Sir David Orr's current state of health. He goes out of the country for a week on 12 April. A meeting could not therefore take place before the week beginning 22 April. I said that I thought that the Government would not object if the report did not reach them until after that week; it would be better for the conversation with Sir David Orr to happen before the report was submitted rather than after it.

4. If the Prime Minister is content, I should be grateful if you could suggest a date which I could propose to Sir David Orr for a meeting.

RTA

29 March 1985

ROBERT ARMSTRONG

MANAGEMENT IN CONFIDENCE

FILE

da

10 DOWNING STREET

From the Principal Private Secretary

7 February 1985

Thank you for your letter of 5 February (MO 4/4) about the pay of bomb disposal experts. The Prime Minister has noted the outcome with satisfaction.

FERB

S.H. Lowe, Esq.,
Ministry of Defence.

MANAGEMENT IN CONFIDENCE

Prime Minister 2
Good news.
FCSB
6.2.

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

Excellent news

MO 4/4

5th February 1985

Dear Robin

In my letter to you of 12th December, I set out the background to press articles on alleged cuts in pay for bomb disposal experts. I mentioned that no decision to downband this group would be taken without reference to Ministers here.

The Prime Minister may wish to be aware that HM Treasury has now agreed that, on management grounds, Warrant Officer Ammunition Technicians should retain their present pay banding. The proposal to downband them will accordingly not now proceed.

Yours ever

Simon Lowe

(S H LOWE)
Private Secretary

Robin Butler Esq
10 Downing Street

DEFENCE: Armed Forces Pay:

Pt 2.

Ref

10 DOWNING STREET

From the Principal Private Secretary

17 December, 1984

Thank you for your letter of 12 December (MO 4/4) about the pay of bomb disposal experts. The Prime Minister has noted that a submission is to be made to your Ministers before any decision to downband this group is taken and has commented that, her present view is that it is absurd to downband this group.

I am sending a copy of this letter to David Peretz (HM Treasury).

RB.

S.H. Lowe, Esq.,
Ministry of Defence

Prime Minister
for information.
The press accounts were garbled and the longer term issue is still being considered.
FERB
12.12

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7822~~ 218 2111/3

MO 4/4

12th December 1984

It seems to me absurd to 'downband' this group

Dear Robin

In your letter of 26th November, you mentioned that the Prime Minister had asked for urgent advice on the recent press articles about cuts in pay for bomb disposal experts. We subsequently agreed that I should delay my reply until Ministers in this department had considered the matter. However, it has become apparent that the need to consult HM Treasury will lengthen this process and you might therefore find it useful to receive earlier advice.

As part of the system of pay comparability for the Armed Forces, jobs across the board in all three Services are regularly reviewed, to determine whether their content continues to justify their existing pay banding. This can lead to rebanding, in either direction. A Joint Services Job Evaluation Team carries out this evaluation and notifies the service management authorities concerned of the results and the recommended pay bands. Where, on management grounds, it is considered that any of its recommendations should not be implemented, the Treasury is consulted.

In April of this year, one of the Team's recommendations was to downband Warrant Officers (Ammunition Technician); a group which includes, as a small proportion, bomb disposal experts.

Normally, when downbanding is to occur, it does so in the year following the review and in this case the relevant date would be 1st April 1985. An individual's pay is not cut, but marks time until pay awards, promotion or increments overtake the original frozen pay level. There was accordingly no question of cutting, or in any way affecting, a Christmas pay rise. Indeed, there is no such rise. It is possible that the second stage of this year's pay award, which came into effect on 1st November, has been misinterpreted as such but in any case it was not affected.

F E R Butler Esq

The delay in implementation also allows management to consider carefully all such proposals. In this case the manager concerned (the Director General Ordnance Services) appealed against the down-banding proposal and this was about to be put to the Treasury for their consideration when the press took up the case.

Ministers here continue to take an interest in this matter and have directed that a submission is to be made to them before any decision to downband this group is taken.

I am copying this letter to David Peretz (HM Treasury).

Yours ever

Simon Lowe

(S H LOWE)
Private Secretary

File

10 DOWNING STREET

From the Principal Private Secretary

26 November 1984

The Prime Minister has seen a report in tonight's Evening Standard that bomb disposal men are to be put on a "mark time" basis which will have the effect of removing a pay rise which normally comes to them around Christmas. It is argued that this will damage their morale during the customary IRA bomb season in the West End.

The Prime Minister would be grateful if you could let her know the facts urgently. I understand from the line which you have provided for Parliamentary Questions tomorrow that no decision has in fact yet been taken by Ministers. If the effect were to be on the lines described in the Evening Standard, the Prime Minister would share the view that a move of this sort at this time would be an error.

I am copying this letter to David Peretz (HM Treasury).

BRB

Richard Mottram Esq.,
Ministry of Defence.

file ECC
a Ind

10 DOWNING STREET

THE PRIME MINISTER

9 October 1984

Dear Sir David.

Thank you for your letter of 25 September which sets out your Review Body's recommendations on London Weighting for the Armed Forces.

I am writing to tell you that the Government will be implementing the recommended increases from 1 April. I am grateful to you and your Review Body for your work on this matter.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

GR pl type for PM signature

EC NO

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

MO 4/4

5th October 1984

Dear Andrew,

I acknowledged on 1st October your letter of 25th September to Richard Mottram which enclosed the Armed Forces Pay Review Body's recommendations on London Weighting for the Armed Forces.

We agree with Sir David Orr's observation that members of the Armed Forces have no choice in their posting to London. This makes the position of the Armed Forces different in practice from the majority of other London-based employees. Given the importance of preserving the Government's good record of accepting AFPRB recommendations, we are firmly of the view that the award should be implemented in full. The extra cost of £415,000 can be met from within the MOD's cash limits.

We note that backdating the award to 1st April, when the increase in Civil Service London Weighting only took effect from 1st October, might lead to hostile comment from the Civil Service unions. The different position of the Armed Forces (as recognised by the AFPRB), the fact that certain other minor forms of pay and allowances for the Armed Forces were deliberately not staged earlier this year (on de minimis grounds), and that staging of London Weighting for the Armed Services would produce relatively tiny financial savings are, in our view, compelling reasons for adhering to the Review Body's recommendations. Nor do we think that this would significantly weaken the Civil Service precedent being applied to other public sector groups such as teachers. Other Departments have been consulted and do not wish to oppose.

A draft reply to Sir David Orr, agreed with Treasury and interested Departments, is attached. It assumes that the Prime Minister accepts the recommendations in full.

I am copying this letter to the recipients of yours.

Yours sincerely
Barry Neale

(B P NEALE)

A Turnbull Esq

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

Thank you for your letter of 25 September which sets out your Review Body's recommendations on London Weighting for the Armed Forces.

I am writing to tell you that the Government will be implementing the recommended increases from 1st April. I am grateful to you and your Review Body for your work on this matter.

DEFENCE: Forces Pay: Pt

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~218 7822~~ 218 6169

MO 4/4

1st October 1984

AR 2/10

Dear Andrew,

You wrote to Richard Mottram on 25th September asking for a draft reply"as soon as possible" which the Prime Minister might send to Sir David Orr, the Chairman of the Armed Forces Pay Review Body, who wrote to her about London Weighting for members of the Armed Forces.

I understand that officials from the Ministry of Defence are consulting with their colleagues in HM Treasury and other Departments concerned about the Review Body's proposal and those other related issues in the public sector pay field - including the backdating of the increase in London Weighting for the Armed Forces to 1st April 1984 - and that Ministers will be consulted at the earliest opportunity.

Bill

I hope, therefore, to let you have co-ordinated advice and a draft reply for the Prime Minister's use by Friday 5th October.

A copy of this letter goes to the recipients of yours.

Yours sincerely,

Barry Neale

(B P NEALE)
Private Secretary

Andrew Turnbull Esq

Armed Forces Pay: DEFENCE Pt 2.

File

DSG

10 DOWNING STREET

From the Private Secretary

25 September 1984

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

I attach a copy of a letter the Prime Minister has received from Sir David Orr, Chairman of the Review Body on Armed Forces Pay, about London Weighting for members of the Armed Forces from 1 April 1984.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, agreed with the Treasury and other Departments concerned, as soon as possible.

I am copying this letter to Margaret O'Mara (HM Treasury), Paul Thomas (Chancellor of the Duchy of Lancaster's Office), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Richard Mottram, Esq.,
Ministry of Defence.

CST

Ack'd on 25/9

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

25 September 1984

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

1. The Review Body has recently considered the question of the level of London weighting which would be appropriate for members of the armed forces with effect from 1 April 1984. In accordance with previous practice, it seems appropriate to convey our recommendations by letter rather than in the form of a supplement to our 1984 report: only a small proportion of men and women in the Services is affected.

2. Prior to our recommendation last year, London weighting for the armed forces had been calculated on the basis proposed by the Pay Board[1] but modified to take account of the specific circumstances of the armed forces. The elements in the Pay Board formula covering the additional costs of housing and travel to work in London were excluded from the basic armed forces rates because Service accommodation is provided at a cost standardised throughout the country and there is some reimbursement of the additional costs of travelling to work. Higher rates, which allowed for the housing element, were payable to those who were owner-occupiers and travelled daily from their homes to work in London.

3. Last year, following the discontinuance in October 1982 of the publication of the Department of Employment indices which updated the Pay Board formula, we considered a number of approaches to setting levels of London weighting for the armed forces. We concluded that, in the case of the armed forces, London weighting was more in the nature of a reimbursement of additional costs than a payment aimed at recruitment and retention in a particular locality. Members of the armed forces are compulsorily posted (on a temporary basis) to London whereas most people in receipt of London weighting have some choice as to whether or not they live and work in London. Given this, we recommended last year levels of London weighting for the armed forces which, in our judgment on the basis of available information, represented a fair reimbursement for the extra costs of living and working in London, bearing in mind the particular circumstances in which servicemen and women served in the capital.

4. We have considered further the approach adopted last year and have concluded that it remains the right one. On this basis, we recommend the following rates of London weighting (before adjustment for daily rates of payment) as appropriate for members of the armed forces with effect from 1 April 1984 (the current rates are in brackets):

---

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

.../...

	Inner London	Outer London
	£	£
Basic Rate	620 (590)	352 (335)
Owner-Occupier Rate	940 (875)	482 (450)

5. We estimate the additional annual cost arising from this recommendation to be about £415,000.

Yours sincerely

David

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

Ct
pa

Friday 20 July 1984

(Answered by the Prime Minister on Friday 20 July 1984)

UNSTARRED No. 178 Mr Bowen Wells: To ask the Prime Minister if she will make a statement about the pay of medical and dental officers in the Armed Forces.

The Armed Forces Pay Review Body have submitted to me a Supplementary Report on the pay of medical and dental officers in the Armed Forces. It recommends staged increases in their pay of 3% from 1 April 1984 and from 5.2% to 7.5% from 1 November 1984. The average for the year is 4.6%. These recommendations reflect the awards to civilian doctors and dentists and to the main body of the Armed Forces which I announced to the House on 7 June 1984 (vol 61, cols 221/227).

The Government has decided to accept in full the recommendations in the Supplementary Report on the pay of medical and dental officers. The Report has been published as Cmnd 9301. Copies are available in the Vote Office.

DEFENCE
IAF PRB

UR

FILE

cc: MOD
HMT
DHSS
CO

10 DOWNING STREET

THE PRIME MINISTER

19 July 1984

Dear Sir David,

Thank you for your letter of 29 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 writing to inform you that the Government has accepted the Review Body's recommendations. The decision will be announced by means of a written answer in the House of Commons on 20 July. The Supplement to the Thirteenth Report will be published at the same time as Cmnd 9301.

I am grateful to the Review Body members for the time and care they have put into producing this report, and I should be pleased if you could pass my personal thanks to them.

Yours sincerely

Margaret Thatcher

Sir David Orr, MC.

(c/o. Manpower Economics)

RD

CNO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

17th July 1984

Dear Andrew,

in folder attached to file

My Secretary of State has seen the supplementary report by the AFPRB on the pay of Service medical and dental officers which you sent under cover of your letter dated 29th June.

The main recommendations on pay mirror the staged awards to the Services and civilian doctors and dentists which were announced on 7th June 1984. Increases are proposed in the levels of the medical military salary of 3% at 1st April 1984 and from 5.2% to 7.5%, depending on rank, from 1st November 1984. The average for the year represents an increase of 4.6% over the pay bill for Service medical and dental officers for 1984/85. This compares with increases of 4.9% for the main body of the Armed Forces and 4.63% for civilian doctors and dentists.

My Secretary of State proposes that the Government should accept the AFPRB's recommendations. I understand that the Chancellor of the Exchequer and Secretary of State for Health and Social Security concur.

If the Prime Minister agrees to an early announcement, we suggest it might be made by way of a reply to a written question, and I enclose a draft written question and answer, together with a draft letter for the Prime Minister to send to Sir David Orr. HMSO will be able to print the report by 19th July and to allow for copies of the report to be put in the Vote Office you may wish to arrange the announcement for the following day.

I am copying this letter to Margaret O'Mara (HM Treasury), Steve Godber (DHSS) and Peter Gregson (Cabinet Office)

Yours sincerely

Nick Evans

(N H R EVANS)
Private Secretary

A Turnbull Esq

PM has approved this answer.

WRITTEN

DRAFT

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 Armed Forces Pay Review Body have submitted to me a Supplementary Report on the pay of medical and dental officers in the Armed Forces. It recommends staged increases in their pay of 3% from 1 April 1984 and from 5.2% to 7.5% from 1 November 1984. The average for the year is 4.6%. These recommendations reflect the awards to civilian doctors and dentists and to the main body of the Armed Forces which I announced to the House on 7 June 1984 (OR Vol 61 Cols 221/227).

The Government has decided to accept in full the recommendations in the Supplementary Report on the pay of medical and dental officers. The Report has been published as Cmnd 9301. Copies are available in the Vote Office.

7.22 CONFIDENTIAL

~~CC~~ NO

NBPM

AT

12/7

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

13 July 1984

Richard Mottram Esq
Private Secretary to the
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON SW1

Dear Richard

ARMED FORCES PAY REVIEW BODY:
PAY OF MEDICAL AND DENTAL OFFICERS

The Chancellor has seen Andrew Turnbull's letter to you of 29 June.

Provided the cost is met from within existing defence expenditure provisions, the Treasury has no objection to the implementation of the AFPRB recommendations.

I am copying this letter to Andrew Turnbull (No 10), Steve Godber (DHSS) and Peter Gregson (Cabinet Office).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

Defence : Armed Forces Pay Pt 2.

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

29 June, 1984.

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

Dear Prime Minister

Review Body on Armed Forces Pay

— See folder att

I enclose our supplementary report on the pay of medical and dental officers in the armed forces. As you will know, we could not complete our work on this until the Government's decisions on increases in pay for doctors and dentists in the National Health Service had been made known. Our recommendations take account of those decisions.

Yours sincerely,

David Orr.
Chairman,
Review Body on Armed Forces Pay.

Prime Minister (4)
Sir David Orr reluctantly accepts
AT 28/2

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

cc Richard Mottram MOD
Margaret O'Mara HMT

28th June, 1984.

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

MT

Dear Prime Minister

Review Body on Armed Forces Pay

Thank you for your letter of 20th June and for your words of appreciation for the work of the Armed Forces Pay Review Body. I know that my colleagues will be grateful for what you say.

I did say to Michael Heseltine on the telephone that the Government's decision to stage the suggested rise in the pay of the Forces came as a disappointment to me,particularly as the recommendations of our Review Body have consistently been accepted in the past. I have since had an opportunity to discuss this with the other members. They share my concern, although we understand the Government's reasoning. We do welcome the fact that the full recommended rates of pay will be effective from 1st November this year and that we will thus be able to move into the next Review from the correct starting line. This should mean that our good relations with the Armed Forces and the credibility of the independent Review Body can be maintained.

I am grateful for your letter and for Michael Heseltine's call pointing out the reasons for the Government's decision.

Yours sincerely,

David Orr
Chairman,
Review Body on Armed Forces Pay.

DEFENCE: Armed Forces Pay Pt 2.

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

From the Private Secretary 25 June 1984

Armed Forces Pay Review Body
Thirteenth Report 1984

The Prime Minister has seen your Secretary of State's minute of 8 June and the Chancellor's reply of 15 June and has noted that the outstanding details on the AFPRB Report have now been settled between departments.

I am copying this letter to David Peretz (HM Treasury), John Gieve (Chief Secretary's Office), Steve Godber (DHSS) and Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

Nick Evans, Esq.,
Ministry of Defence.

MANAGEMENT IN CONFIDENCE

file BM

cc MOD

10 DOWNING STREET

THE PRIME MINISTER

20 June 1984

Dear Sir David,

Thank you for your two letters of 17 April sending me the Review Body's recommendations on the pay and charges of the Armed Forces from 1 April 1984.

I am sorry that it was not possible to give you advance written notice of my announcement in the House of Commons of the Government's decision to stage the Review Body's recommendations. However, I understand that Michael Heseltine managed to speak to you in New York on the afternoon of the announcement. I know that he explained to you the reasons for the Government's decisions, and told you that the full recommended pay scales will be in force well before the beginning of the next pay year. I understand that the first increases will be implemented this month.

I want you to know that although the Government decided not to implement the full recommendations at once, we are very grateful to you and your colleagues on the Review Body for the hard work you put in to the preparation of the report on Service pay. Would you

/ please pass

please pass my personal thanks to all concerned?

I note that you will be submitting your report on the pay of Armed Forces Medical and Dental Officers, and look forward to receiving that in the near future.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

GR PL type CC NO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 4/4

18th June 1984

Dear David,

REVIEW BODY ON ARMED FORCES PAY

In response to your letter of 13th June I attach a draft letter for the Prime Minister to send to Sir David Orr thanking him and his colleagues for their report, and confirming the Government's decision on the staging of the award.

I am copying this note to Margaret O'Mara.

Yours ever
Nick Evans

(N H R EVANS)

D Barclay Esq

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

Thank you for your two letters of 17th April sending me the Review Body's recommendations on the pay and charges of the Armed Forces from 1st April 1984.

I am sorry that it was not possible to give you advance written notice of my announcement in the House of Commons of the Government's decision to stage the Review Body's recommendations. However, I understand that Michael Heseltine managed to speak to you in New York on the afternoon of the announcement. I know that he explained to you the reasons for the Government's decisions, and told you that the full recommended pay scales will be in force well before the beginning of the next pay year. I understand that the first increases will be implemented this month.

I want you to know that although the Government decided not to implement the full recommendations at once we are very grateful to you and your colleagues on the Review Body for the hard work you put in to the preparation of the report on Service pay. Would you please pass my personal thanks to all concerned?

I note that you will be submitting your report on the pay of Armed Forces Medical and Dental Officers, and look forward to receiving that in the near future.

ECL

cc MOD

10 DOWNING STREET

THE PRIME MINISTER

18 June 1984

My dear Field Marshal,

Thank you for your letter of 11 June.

I understand that, before Cabinet met to discuss the Pay Review Body Reports you had made the points set out in your letter to Michael Heseltine. I can assure you that, in our discussions, Michael emphasised that failure to give full immediate effect to the recommendations of the AFPRB would be much resented by the Armed Forces. Cabinet was in no doubt on this point.

You quite rightly refer to the record of this Government in implementing the recommendations of successive AFPRB reports. I am well aware of the problem of recruiting, manning and retention in the Armed Forces which the Government inherited on taking office.

We were pledged to remedy these deficiencies and we have done so: I understand that, with the exception of certain shortages in a few specialist trades, the Armed Forces are now fully manned and that there are no significant problems in recruiting and retaining personnel.

But, as Michael also told you, the Government must take into account the wider economic and financial implications of pay awards which are under its control. The fight against inflation is a central part of our economic strategy. Our success in reducing the rate of inflation has

/been due

been due in no small part to a wider recognition of the role of high wage settlements in increasing costs and reducing our general economic performance. We cannot afford to let our achievement slip to the detriment of everyone, including Servicemen and women, by allowing wage levels once again to creep ahead of what the country can afford.

For these reasons we decided that, while we would accept the levels of pay recommended by the Review Bodies, they should wherever possible be implemented in two stages rather than one. We also accepted that, in fairness, the levels of charges recommended by the AFPRB should be treated in the same way. I fully understand that this will have come as a disappointment to members of the Armed Services but, equally, I hope they will recognise the reasons why we had to act as we did. I do not need to assure you that I would be the very last person to undervalue the superb professionalism and loyalty of our Armed Forces and I would certainly want to know at once if there was any significant deterioration in the presently favourable conditions of manning and retention which I am glad that the Government's policies have helped to achieve.

Yours sincerely

Margaret Thatcher

Field Marshal Sir Edwin Bramall, GCB, OBE, MC.

→ CP for the time being

Prime Minister ②

AT 19/6

To note that all the AFPRB consequentials have been settled.

AT 22/6

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

PRIME MINISTER

MT

ARMED FORCES PAY REVIEW BODY - THIRTEENTH REPORT 1984

I have seen Michael Heseltine's minute to you of 8 June. Provided the cost is met from within existing defence expenditure provisions, I would raise no objections either to the exclusion from the pay staging formula of the minor forms of additional pay and allowances to which Michael referred, or to the staging of food and accommodation charges as he proposes.

2. I am copying this minute to Peter Rees, Michael Heseltine and Norman Fowler.

N.L.

N.L.
15 June 1984

GR pl type letter

MO 4/4

PRIME MINISTER

AFPRB

Your Private Secretary has referred to mine the letter the Chief of Defence Staff has sent you on Forces pay.

2. You will remember that I informed the Cabinet that the CDS had made representations to me along the lines set out in his letter. In that discussion I had made it clear to him that, while I in no way sought to undermine the AFPRB, I had also to have regard, as a member of the Cabinet, to the broader economic and financial issues raised by the Review Body Reports. This was the sense in which I spoke to Cabinet, as is recorded in the minutes. CDS showed me the letter he intended to send you in draft and I did not attempt to deter him from sending it. I enclose the draft of a reply you might send.

Michael Heseltine

Ministry of Defence
14th June 1984

ECL'AAM

DRAFT LETTER FROM THE PRIME MINISTER TO THE CHIEF OF THE DEFENCE STAFF

AFPRB

Thank you for your letter of 11th June.

2. I understand that, before Cabinet met to discuss the Pay Review Body Reports you had made the points set out in your letter to Michael Heseltine. I can assure you that, in our discussions, Michael emphasised that failure to give full immediate effect to the recommendations of the AFPRB would be much resented by the Armed Forces. Cabinet was in no doubt on this point.

3. You quite rightly refer to the record of this Government in implementing the recommendations of successive AFPRB reports. I am well aware of the problem of recruiting, manning and retention in the Armed Forces which the Government inherited on taking office.

4. We were pledged to remedy these deficiencies and we have done so: I understand that, with the exception of certain shortages in a few specialist trades the Armed Forces are now fully manned and that there are no significant problems in recruiting and retaining personnel.

5. But, as Michael also told you, the Government must take into account the wider economic and financial implications of pay awards which are under its control. The fight against inflation is a central part

of our economic strategy. Our success in reducing the rate of inflation has been due in no small part to a wider recognition of the role of high wage settlements in increasing costs and reducing our general economic performance. We cannot afford to let our achievement slip to the detriment of everyone, including Servicemen and women, by allowing wage levels once again to creep ahead of what the country can afford.

6. For these reasons we decided that, while we would accept the levels of pay recommended by the Review Bodies, they should wherever possible be implemented in two stages rather than one. We also accepted that, in fairness, the levels of charges recommended by the AFPRB should be treated in the same way. I fully understand that this will have come as a disappointment to members of the Armed Services but, equally, I hope they will recognise the reasons why we had to act as we did. I do not need to assure you that I would be the very last person to undervalue the superb professionalism and loyalty of our Armed Forces and I would certainly want to know at once if there was any significant deterioration in the presently favourable conditions of manning and retention which I am glad that the Government's policies have helped to achieve.

Defence
Amendments
Part 2

CONFIDENTIAL

file

10 DOWNING STREET

From the Private Secretary

12 June 1984

Armed Forces Pay Review Body 1984

As you will see from the attached letter, Field Marshal Bramall has written to the Prime Minister to express "the disappointment and concern felt by the Chiefs of Staff at the Government's decision not to implement the AFPRB recommendations in full".

I should be grateful if you could provide , by close on Thursday 14 June, a draft reply for the Prime Minister to send.

BF

(Andrew Turnbull)

Nick Evans, Esq.,
Ministry of Defence

CONFIDENTIAL

CT

CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

11 June 1984

David Barclay Esq
10 Downing Street
LONDON SW1

Dear David,

ARMED FORCES PENSION SCHEME

You asked me how many officers who failed to reach the target rank and were therefore retired subsequently joined the Civil Service.

I am afraid that records do not reveal this information. As the note attached to Lord Gowrie's minute indicated in practice, few officers are retired compulsorily at the target rank/age point, but they can opt to retire at that point or subsequently.

Special arrangements have operated under which retired armed forces personnel have entered the Civil Service. Until 1981 the Civil Service Commission ran such a recruitment scheme for appointment in the Executive Officer and Clerical Officer grades. About 80 appointments a year were made under this scheme, but since it was open to all ex-armed forces personnel, the records do not reveal how many had left the armed forces having failed to achieve target rank. This scheme has now been incorporated into the general open competition. As a result statistics are not kept on armed forces applicants, though it is intended to do so from next year.

There is another special scheme under which retired officers can be re-employed in the Ministry of Defence in one of four Retired Officer Grades. These correspond to the Civil Service grades of Principal, SEO, HEO and EO. Currently there are some 1800 retired officers, the average annual intake being about 200. Again however the records do not show how many of these entered at the target rank/age point. It is not likely to be a large proportion since entrants must be aged between 42 and 58 and the average age of entrants is about 54. Entrants under this scheme have their armed services pensions abated to ensure that civilian pay plus pension does not exceed services pay.

While therefore it is clear that a number of ex-service personnel are employed in the Civil Service, the data is not available to indicate how many of them failed to achieve their armed forces target rank. The indications are, however, that very few would be in this category.

Yours,

Sonia

MISS S C PHIPPARD
Assistant Private Secretary

below per
TSRB
PRO

FIELD MARSHAL SIR EDWIN BRAMALL GCB OBE MC

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2116 (Direct Dialling)
01-218 9000 (Switchboard)

CHIEF OF THE DEFENCE STAFF

The Right Honourable Margaret Thatcher MP

11 June 1984

Dear Prime Minister.

ARMED FORCES PAY REVIEW BODY 1984

I am writing to you direct (although of course with my Secretary of State's knowledge) because I feel it is my duty to express to you the disappointment and concern felt by the Chiefs of Staff at Her Majesty's Government's decision not to implement the Armed Forces Pay Review Body's (AFPRB) recommendations in full from 1 April 1984: but instead to hold back, for 7 months, 4.6% of the award, thus reducing it, on average and over the whole financial year, to below 5%. This, as you well know, will create pension troughs and have a significant impact on gratuities for certain individuals.

Our disappointment stems from the fact that this has been the very first time that this Government has felt it necessary to alter, in any way, the recommendations of the AFPRB in which the Armed Forces, having no negotiating machinery of their own, have developed such complete trust and confidence. Even this temporary interruption of comparability constitutes a going back on the public, much welcomed

and well understood promise made before and after the 1979 Election to give them full comparability, in relation to others with similar skills, and always to maintain that position in the future - a pledge repeated many times since, in The Queen's Speech of 1979, in one of the Defence White Papers and again by yourself in a written reply in the House of Commons on 18 May 1981. This latter was given despite similar financial stringencies at that time.

If steps are not taken in the future to correct any such impression, the Armed Forces will come to see it as a weakening of the credibility of the Body which, far from recommending preferential treatment, merely produces an accurate reflection of what others with similar skills and responsibilities have in fact been paid, or are being paid, in the current period under review. This particularly applies to our relationship to the Police, who are one of our main comparators and who, last Autumn, had paid to them their full award which has always traditionally been taken to set the principle for the award of the Armed Forces in the following April.

After all their dedicated professionalism and loyalty which you Prime Minister will, I know, be the first to recognise, the Armed Forces are bound to see this administrative act of political expediency by this Government of all Governments as one of very considerable ingratitude.

But our main concern, which we would like to put on record, is the effect that this frittering away of comparability (however small at this stage) could have, in the future, on recruiting, manning and retention. We remember so vividly when similar administrative adjustments started to be made in the mid-70s, some of them quite small in themselves but quickly resulting, by 78/79, in the Forces

having fallen 37% behind their comparators. This, as you will remember, had a critical effect on retention and manning, with numerous ships, aircraft and tanks unable to be fully operational. No one would wish to see this vicious circle, which your Party and Government have done so much to correct, repeated all over again; but you should know that, as we come out of the recession, outside job opportunities for the more highly skilled Serviceman are already resulting in an upswing in applications to leave the Armed Forces, and our experience tells us that any unfair treatment such as this unusual staging of the AFPRB recommendations tends to accentuate and accelerate this process.

My colleagues and I therefore request, Prime Minister, that you emphasise at an early opportunity the Government's continuing commitment to the principle of comparability for the Armed Forces.

Yours sincerely

Jim Prior

MO 4/4

SF with Treasury response
AT 8/6

PRIME MINISTER

ARMED FORCES PAY REVIEW BODY - THIRTEENTH REPORT 1984

Your announcement of the decision to stage the Armed Forces pay award included the statement that the Government would be considering separately certain recommendations on points of detail. It is necessary to do this because the agreed staging formula took account only of that part of the AFPRB's report which recommends increases in the basic Military Salary and major allowances in the nature of pay (such as flying pay, parachute pay and submarine pay).

2. Apart from these purely 'pay' items there are a number of other allowances, and there is also the question of charges for food and accommodation which we discussed on 7th June. I propose that we should handle these in the following ways:

a. Minor forms of additional pay and allowances
The AFPRB has recommended no change for five of the ten items in this category, and the question of staging does not arise. Of the remainder, the most significant is Separation Allowance where the recommended modest increase would cost about £600,000 a year. The increases recommended for the other items are estimated to cost in total less than £125,000. The extra administrative burden of staging the increases in these forms of pay and allowances, and their relative insignificance in relation to the totality of Service pay (some £3 billion) lead me to the conclusion that it would be inappropriate and unnecessary to stage them.

b. Charges for Food and Accommodation

These charges represent income to the Defence Budget, the proposed increases amounting to some £10.3M per annum. We agreed in Cabinet on 7th June that as increases in pay are to be staged it would be fair to treat charges consistently with pay. Phasing of charges in the same proportions as pay would reduce the yield to £6.7M.

c. Northern Ireland Pay and Falkland Islands Pay

No increase is recommended in Northern Ireland Pay (£2.15p a day) and staging is not an issue. But the Review Body has recommended a new allowance of £2.15 a day for repeated tours to the Falklands. They propose its introduction from 1st April 1984 to replace the emergency rate of Local Overseas Allowance of £1 a day introduced during the Falklands campaign. The AFPRB's recommendation could in a sense be treated as a pay increase and so a candidate for staging. However, I would prefer to consider it as a self-contained measure, designed specifically as a more cost-effective alternative to the flat rate LOA. I therefore intend to introduce the new allowance in full from 1st April 1984, as the Review Body recommends, phasing out the LOA by 50% reductions on 1st August and 1st October.

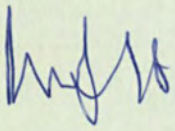
3. To sum up therefore, I propose to stage the charges for food and accommodation in the same proportions as pay which will reduce extra income in 1984/85 from £10.3M to £6.7M. I also propose that:

a. the recommended increases in minor forms of pay and allowances should be paid without staging; and

b. the new Falkland Islands allowance should be introduced from 1st April 1984 without staging, and the present LOA withdrawn.

When we have settled these points I will let you have, in the usual way, the draft of a formal letter to the Chairman of the AFPRB responding to the Report.

4. I am copying this minute to the Chief Secretary and to the Secretary of State for Health and Social Security.



Ministry of Defence
8th June 1984

Reference: A F Day Pt 2

SECRET

File 4

10 DOWNING STREET

From the Private Secretary

24 April 1984

Dear David,

I enclose a copy of the latest Report of the Review Body on Armed Forces Pay. Mrs Thatcher has asked that copies of this Report should remain with the Chancellor or the Permanent Secretary.

I am sending a copy of the Report on the same basis to Richard Mottram (Ministry of Defence).

Yours ever

Tim Flesher

Timothy Flesher

David Peretz, Esq.,
H.M. Treasury.

CST

SECRET

CONFIDENTIAL

OFFICE OF MANPOWER ECONOMICS

22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

17 April 1984

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

I enclose the Review Body's Thirteenth Report, which contains our recommendations on the levels of military salaries, and on food and accommodation charges, that we consider appropriate at 1 April 1984 for members of the armed forces. As usual, we will put forward our recommendations on the pay of medical and dental officers at a later date, when decisions on the remuneration of general medical practitioners in the National Health Service are known.

Yours sincerely

David Orr

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

CONFIDENTIAL

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

17 April 1984

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

I have written to you separately today forwarding our recommendations on the pay and charges appropriate for members of the armed forces from 1 April 1984. There is, however, one matter we have considered during this review on which, in line with previous practice, we think we should put forward recommendations outside our main report. This relates to the additional pay for members of the Special Air Service Regiment and the Royal Marines Special Boat Squadron.

The Ministry of Defence have informed us that the current arrangements for these personnel are working satisfactorily and that, with one exception, they propose no change beyond maintaining the relative value of the payments (which our main report - paragraph 53 - provides for). The exception concerns payment of SAS pay to those members of 264 (SAS) Signal Squadron who are filling posts annotated 'must be SAS trained'. Currently, these personnel receive only the lowest rate of SAS pay (that awarded to Corporals and below on completion of basic training) regardless of rank or length of service. The MOD have proposed that the full structure of SAS pay should apply in such cases, so that such personnel receive rank-related payments and become eligible for the higher rates of SAS pay on the same basis as members of 22 SAS. We have noted the particular problems that exist in filling these annotated posts and we are convinced of the need to have them filled by fully-trained personnel. We therefore recommend, with effect from 1 April 1984 that the full structure of SAS pay should be available, on the same basis as for members of 22 SAS, to those members of 264 (SAS) Signal Squadron filling posts annotated 'must be SAS trained'. The full SAS pay arrangements should apply also to those members of 22 SAS and 264 (SAS) Signal Squadron who serve on attachment to any of the reserve units of the Special Air Service Regiment.

Yours sincerely

David

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

MO 3/9

Prime Minister (2)

Mr Heseltine rejects Treasury criticism of delay in promulgating LOA reductions.

DMB 13/2

CHIEF SECRETARY

LOA IN GERMANY

(attached) Your minute of 20th January to the Prime Minister offered a helpful compromise for dealing with the reductions in LOA in Germany, and as you will know, Parliament has now been informed. But you raised other matters to which I feel I must respond.

2. The tone of the minute suggests a mechanistic approach to LOA which I really cannot accept. While of course we should try to apply the usual conventions for making recommended reductions in LOA there will sometimes be a very proper need for Ministers, up to and including the Prime Minister, to be involved in and informed about a decision. This was such a case, because we were preparing to make a sizeable reduction in the take home pay of the 70,000 Servicemen in Germany. I therefore make no apology for cases like this which take a month or two longer than the limited time for decision - never more than a month - available under the usual LOA conventions. Where there are serious management issues at stake - and I am clear that a reduction in take home pay of the size we were contemplating is such an issue - it is entirely right that senior managers in the Services, and Ministers where necessary, should both satisfy themselves that the reduction is soundly based and that it is carried into effect over a timescale which is reasonable for the Servicemen and their families affected.

3. It follows that I cannot give the assurance you seek in your paragraph 5. In effect you are assuming (a) that the next repricing in Germany will be carried out in November 1984 (if it were to be in October the convention would require implementation of any reduction from 1st December); (b) that it will lead to further reductions, not

increases, in LOA; and (c) that whatever issues the review raises must be resolved in what is left of November or, alternatively, that the notice to Servicemen of a cut should be less than a month. I do not think it would be reasonable to put ourselves in such a strait jacket. I accept that this could involve, as this year, forgoing savings for a month or two. But the question then is whether the Government regards it as sensible to spend relatively small amounts from the Defence Budget in order to manage sensitively and responsibly reductions of this kind in the pay of groups of Servicemen. I should have thought there could be only one answer.

4. There are issues here which you may wish your officials to pursue with mine. But let me stress that our intention is to preserve the integrity of the LOA system world-wide, in fairness to Servicemen everywhere and to the taxpayer. Normally this means applying the usual conventions about cuts and increases. Sometimes good management requires a more flexible approach. I am glad to say that in the past we have had much co-operation from the Treasury in achieving the necessary degree of flexibility. I very much hope that that co-operation will continue.

5. I am copying this to the Prime Minister and Sir Robert Armstrong.

Ministry of Defence
10 February 1984

Defence Pay Pt2

10 DOWNING STREET

From the Private Secretary

23 January 1984

Dear Nick,

Local Overseas Allowance - Germany

The Prime Minister has seen your letter of 17 January and the Chief Secretary's minute of 20 January on the above subject. Mrs Thatcher has noted that Treasury and MOD Ministers are now prepared to accept a compromise arrangement whereby the reductions in LOA for Germany would take place in two successive equal stages on 1 March and 1 June. She has further noted that your Secretary of ~~State intends~~ to announce the change in a Parliamentary answer this week.

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

Yours ever

John Coles.

Nick Evans, Esq.,
Ministry of Defence.

MANAGEMENT IN CONFIDENCE

HL

cc CBO
CO

10 DOWNING STREET

From the Private Secretary

23 January 1984

Local Overseas Allowance - Germany

I regret that there was an error in my letter on this subject which will have reached you earlier today. In the second sentence "1 June" should read "1 May".

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

A. J. COLES

Nick Evans, Esq.,
Ministry of Defence.

MANAGEMENT IN CONFIDENCE

CT

Ref: LOA - Germany.

John.

John Grieve telephoned with a query on your letter to Nick Evans MOD dated today. He believes that the two dates for the implementation of LOA reductions should read 1 March and 1 May and not 1 March and 1 June. Your note to the Prime Minister, on attached letter from CST to Prime Minister of 20.1.84 does mention the dates as being 1 March and 1 May. John Grieve is worried that the MOD may act on the 1 March and 1 June dates. Please can you clarify the position

Thankyou,

Sue.

23.1.84.

FILE

SW

cc: D. Grp
MOD
Hart
CO

10 DOWNING STREET

THE PRIME MINISTER

23 January, 1984

Dear Sir David,

Thank you for your letter of 12 December which contains your Review Body's recommendation on London Weighting for the Armed Forces from 1 April, 1983.

I am writing to tell you that the Government will be implementing your recommendation. I am grateful to you and the Review Body for their work on this matter.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

Rep

FROM: CHIEF SECRETARY
DATE: 20 January 1984

PRIME MINISTER

cc Secretary of State for Defence
Sir Robert Armstrong

Prime Minister.
The MoD and Treasury agree (para. 4) that the reductions should be in 2 stages: 1 March / 1 May. Agree?
Yes No
A.S.C. 20/1

LOA GERMANY

attached

I do not think you should endorse Michael Heseltine's proposal for giving effect to reductions in LOA for Germany in two successive equal stages on 1 March and 1 June.

2. It has not hitherto been the practice to stage reductions arising from re-pricing reviews (as distinct from full-scale reviews of LOA standards). I would therefore have much preferred to see the results promulgated in full from the date of 1 January. That option was however closed to us because of procedural delays in MOD following completion of the review in November. It should nevertheless have been possible to start instead from 1 February. Indeed Treasury approval to do so was requested by MOD on Michael Heseltine's authority as recently as 6 January.

3. The proposal then was a 1 February/1 May equal staging. The Treasury gave agreement, but only very reluctantly; we preferred full implementation from 1 February (in itself a concession). Michael Heseltine has since changed his position without any further formal consultation with my department. I have to say that I do not regard this as a satisfactory way of conducting business.

4. The further delay in reaching a decision evidently means that 1 March is now the earliest practicable date for promulgation if those affected are to be given a month's warning. However, that already amounts to a 2 months' concession at the existing higher rates; and an increase in military salary can be expected to take effect from 1 April. In my view the correct course would therefore be to introduce the full amount of the reductions from 1 March. However, I understand that MOD Ministers are now prepared to accept a 1 March/1 May compromise arrangement. In the light of the earlier Treasury approval I am, reluctantly, prepared to go along with that and trust that the matter can now be regarded as settled on that basis.

5. The MOD proposal means that the LOA bill for 1984 will be some £7 million higher than it need otherwise have been (£6 million on the compromise arrangement). I note that Michael is apparently prepared to forego savinges of this order with equanimity. I hope he can assure us that all the procedures for the next LOA review will be carried out in time for any agreed changes to be introduced in January 1985.

6. I am sending a copy of this minute to Michael Heseltine and to Sir Robert Armstrong.

PR.

PETER REES

Defence Armed Forces Pay

①

10 DOWNING STREET

Prime Minister

MOD and Treasury both accept Sir David Orr's recommendation, though not the argumentation which led to it. I suggest the letter be amended to make it slightly clearer we are accepting recommendation not advice. MOD + Treasury concur.

Agree?

Yes AT

18/1

GR

Pl type

blind copies to M O'M Tsy
D M Emp
NE MoD
RH CO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7822~~ 218 2111/3

MO 3/9

17th January 1984

Dear John,

LOCAL OVERSEAS ALLOWANCE - GERMANY

File with AT.

In my letter of 25th February 1983 I gave details of new rates of Local Overseas Allowance (LOA) which were to be introduced in Germany as a result of a review in November 1982. The new allowances represented decreases in LOA rates for single personnel of between 23% and 26% and for married personnel of between 6% and 11%. The reductions were staged so as to give Servicemen time to adjust to the new rates.

LOA is paid to members of the Forces to meet the extra costs of living on overseas stations. The LOA budget is repriced each year to ensure that the rates continue to be related to current requirements, and the 1983 repricing on Germany has recently been completed. You will wish to be aware, in view of the Prime Minister's earlier involvement and interest, that the repricing shows that further reductions in LOA are needed to bring the purchasing power of the allowance back to the level judged appropriate in November 1982. A table is attached which shows the new rates.

The table shows that the reductions involve decreases in net take-home pay of up to about 4% and the management implications of this are bound to be very unwelcome. To ease their impact it is proposed to stage the reductions by applying 50% from 1st March and 50% from 1st June. The staging of reductions arising from a repricing exercise is unusual but it recognises the need to handle sensitively what the Servicemen will see as a significant cut in take-home pay. My Secretary of State is satisfied that, with this staging, it is consistent with the good management of the LOA system world-wide to make the reductions which the repricing has shown to be necessary. The new rates have been agreed by the Treasury with whom we have discussed the proposal for staging.

A J Coles Esq

My Secretary of State intends to announce the change in answer to a Parliamentary Question which will be put down for Answer in the week of January 23rd. The Chairman of the Commanders-in-Chief Committee, Germany, will make an announcement to Servicemen in BAOR and RAF(Germany) on the same day. An early announcement is important to give Servicemen as much notice as possible of the first cut on 1st March.

I am copying this letter to John Gieve in the Chief Secretary's office and Richard Hatfield in Sir Robert Armstrong's Office.

Yours ever
Nick Evans

(N H R EVANS)

Annex

LOA GERMANY REPRICING - NOVEMBER 1983

	£ per day			
	SOR	SO	MOR	MO
BFA				
Existing rate	1.92	3.17	5.14	6.29
Revised rate	1.36	2.53	4.34	5.10
Difference	-0.56	-0.64	-0.80	-1.19
BERLIN				
Existing rate	1.76	3.07	4.56	5.88
Revised rate	1.37	2.35	3.95	4.73
Difference	-0.39	-0.72	-0.61	-1.15
US ZONE				
Existing rate (as at 1.12.83)	2.77	3.45	6.37	7.67
Revised rate	2.09	2.75	5.40	6.18
Difference	-0.68	-0.70	-0.97	-1.49
ISODETS				
Existing rate	1.92	3.17	5.64	6.94
Revised rate	1.36	2.53	4.94	5.88
Difference	-0.56	-0.64	-0.70	-1.06

NOTES

The above rates are assessed in detail for so-called "marker" ranks - Corporal and Captain - rates for other ranks being derived from them by a formula.

SOR = Single Other Rank
SO = Single Officer
MOR = Married Other Rank
MO = Married Officer
BFA = British Forces Area
ISODETS = Isolated detachments

Defence: Armed Forces Pay Pt2

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

17th January 1984

Dear Andrew,

LONDON WEIGHTING FOR THE ARMED FORCES

My Secretary of State has seen your letter of 22nd December which enclosed the Armed Forces Pay Review Body's recommendation on London Weighting for the Armed Forces.

Although Sir David Orr's recommendation differs from the joint Treasury and MOD proposal that there should be a link with the Military Salary, my Secretary of State considers that the Government should implement the Review Body's recommendation. In particular, he considers it important to preserve the Government's record of accepting AFPRB recommendations in full and he does not regard London Weighting as an issue which would warrant a disagreement between the Government and the Review Body. The extra cost of £240,000 is small and can be met from within the MOD's cash limits.

A draft reply to Sir David Orr is attached which assumes that the Prime Minister will accept this recommendation.

I am copying this letter to Margaret O'Mara (Chancellor's office), David Normington (Department of Employment) and Richard Hatfield (Cabinet Office).

Yours ever

Nick Evans

(N H R EVANS)

A Turnbull Esq

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

Thank you for your letter of 12 December which contains your Review Body's recommendation on London Weighting for the Armed Forces from 1 April 1983.

I am writing to tell you that the Government will be implementing your recommendation ~~accordingly~~. I am grateful ~~for your advice on this matter.~~ to you and the Review Body for their work on this matter.

Noted as amended MT

Defence: Armed Forces Pay
Pt 2

Ack'd 22.12 ✓

Sir David ORR

CF yours?

file

cc HMT
D/ETLP
CO

10 DOWNING STREET

From the Private Secretary

22 December 1983

The Prime Minister has received the attached letter from Sir David Orr on London weighting for members of the Armed Forces. I would be grateful if you in conjunction with the Treasury could provide advice on how the Prime Minister should respond to this.

I am copying this to Margaret O'Mara (HM Treasury), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Richard Mottram Esq
Ministry of Defence

MU

✓ NO

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

12 December 1983

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

1. The Review Body has recently considered evidence from the Ministry of Defence and the Treasury on the level of London weighting for members of the armed forces with effect from 1 April 1983. In accordance with previous practice, it seems appropriate to convey our recommendations by letter rather than in the form of a supplement to our 1983 report: only a very small proportion of men and women in the Services is affected.

2. Since 1974, London weighting for the armed forces has been calculated on the basis proposed by the Pay Board[1] but modified to take account of the specific circumstances of the armed forces. The elements in the Pay Board formula covering the additional costs of housing and travel to work in London have been excluded from the basic armed forces rates because Service accommodation is provided at a cost standardised throughout the country and there is some reimbursement of the additional costs of travelling to work. Higher rates, which allow for the housing element, have been payable to those who are owner-occupiers and travel daily from their homes to work in London.

3. In October 1982, publication of the Department of Employment indices, which updated the Pay Board formula, was discontinued. This has meant that we have not been able to make our normal calculations this year. In these circumstances, the Ministry of Defence and Treasury have proposed that we should simply link increases in London weighting for the armed forces to movements in the military salary. We find this proposal unsatisfactory. In making our recommendations for 1 April 1982 we explained that members of the armed forces, who are compulsorily posted (on a temporary basis) to London, are in a different position from most people in receipt of London weighting, who have some choice as to whether or not they live and work in London. We took the view, therefore, that London weighting for members of the armed forces is more in the nature of a reimbursement of additional costs than a payment aimed at recruitment and retention in a particular locality; and that those who serve in London should not be put a financial disadvantage relative to Service colleagues elsewhere. We remain of this view. The proposed link with military salary would produce levels of London weighting which, in some years, could over-compensate for the extra costs of living and working in London but which, in other years, might be less than necessary. This would not accord with our concept of the function of London weighting in the particular context of the armed forces.

---

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

4. In considering what recommendations to make for 1 April 1983 we have paid regard to various assessments of the extra costs of living and working in London and have examined information from a number of different sources. The amounts it is appropriate to recommend, taking account of the special circumstances of the armed forces, must be essentially a matter of judgment; but we are satisfied that the information available is sufficient to provide a guide for our purpose. On this basis, we recommend the following rates of London weighting (before adjustment for daily rates of payment) as appropriate for members of the armed forces with effect from 1 April 1983 (the current rates are in brackets):

	Inner London	Outer London
	£	£
Basic Rate	590 (569)	335 (325)
Owner-Occupier Rate	875 (850)	450 (434)

5. We estimate the additional annual cost arising from this recommendation to be about £240,000.

Yours sincerely

David Orr

SIR DAVID ORR
CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

cc ECON POL ! TSRB Pt 5

Mr. Scholar

Ref. A083/2636

MR INGHAM

c Mr Butler

Sir David Orr, Chairman of the Armed Forces Pay Review Body, is very unhappy about the first paragraph of the article in today's Financial Times about yesterday's Cabinet decision on the pay limit for public expenditure. It implies that the increase in the Armed Forces pay will be held to three per cent, irrespective of what the Review Body thinks, and Sir David Orr feels that, if that impression cannot be corrected, the Review Body will think that its work is a mockery and will be liable to resign.

2. I have told him that I will ask you to say to the Lobby --- today something on the lines of the attached text. I have cleared the text with the Treasury, and I have read it over to Sir David Orr who is content.

RTA

ROBERT ARMSTRONG

16 September 1983

Proposed Statement to Lobby

As yesterday's announcement made clear, the 3 per cent is not a pay norm or a pay limit. As regards members of the Armed Forces, the situation is exactly as it has been in previous years. The Armed Forces Pay Review Body will be free, as in previous years, to make whatever recommendations it sees fit in the light of the evidence available to it. Assuming that the Government accepts those recommendations - as it has invariably done since 1979 - if their cost exceeds 3 per cent of the pay bill, they will be financed, as in the past, either by savings elsewhere in the Defence Budget or by drawing on the Central Contingency Reserve.

cc MOD

10 DOWNING STREET

THE PRIME MINISTER

29 July 1983

Dear Sir David,

Thank you for your letter of 3 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 writing to inform you that the Government has accepted the Review Body's recommendations in full. The decision is being announced today by means of a written answer in the House of Commons. The Supplement to the Twelfth Report will be published at the same time, as Cmnd 8950.

I am grateful to the Review Body members for the time and care they have put into producing this report, and I should be pleased if you could pass my personal thanks to them.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

for MFS
c Press Office.

10 DOWNING STREET

From the Private Secretary

29 July 1983

Dear Barry,

Thank you for your letter of 27 July in which you suggested that the Government's acceptance of the Supplementary Report of the Armed Forces Pay Review Body, on the pay of Service medical and dental officers, should be announced today.

As Charlotte Platman has told you, the Prime Minister has agreed to this, and we have made the announcement, by way of a written answer today. The Prime Minister will be writing to Sir David Orr as soon as possible.

I am sending copies of this letter to Judith Simspn (HM Treasury) and Steve Godber (Department of Health and Social Security).

Yours sincerely,

Michael Scholar

B.P. Neale, Esq.,
Ministry of Defence.

(1)

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~230 7822~~ 218 6169

MO 4/4

27th July 1983

(1)

Prime Minister

Agree this draft statement (at flag A)? The Treasury now agree.

MCS 27/7

Yes

Dear Michael,

Following the Government's announcement of pay increases for Top Salaries Review Body grades, the way is now clear to implement the Supplementary Report of the Armed Forces Pay Review Body on the pay of Service medical and dental officers.

In his letter to you dated 27th June Nick Evans informed you of my Secretary of State's recommendation that the Government should accept the AFPRB report in full. My Secretary of State does not wish to alter this advice, and suggests that an announcement be made before the Summer Recess by way of a reply by the Prime Minister to a Written Question. The draft forwarded with Nick Evans' earlier letter would suffice for this purpose.

The report itself has been printed and can be made available to the Vote Office within 24 hours.

Copies of this letter go to Margaret O'Mara in the Chancellor of the Exchequer's office, and to Steve Godber in Mr Norman Fowler's office.

Yours ever,

Barry Neale

(B P NEALE)
Private Secretary

Michael Scholar Esq

Defence, Armed Forces pers, pt 2

Muster House,
12 Muster Green,
Haywards Heath,
W. Sussex,
RH16 4AG

Haywards Heath
(0444) 413333

5th July, 1983.

The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
The Prime Minister,
10 Downing Street,
London, S.W.1.

R-G

Dear Prime Minister,

Thank you for your letter of 20th June referring to my work as a member of the Armed Forces Pay Review Body. I very much appreciate receiving it.

As an ex service officer, I certainly feel the time and effort was very worthwhile.

With every good wish to you and your Government.

Yours sincerely

John Rear

CONFIDENTIAL

→ For TSRB meeting later ? 5/7/83 MCS 1/7

Defence Armed forces pay

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 4/4

27th June 1983

(2)

Prime Minister

The Chancellor would like this considered at the TSRB meeting (on Thursday). That will not hold up an announcement, in the light of X overleaf.

MCS 27/6

Dear Michael,

My Secretary of State has seen the Supplementary Report by the AFPRB on the pay of Service medical and dental officers which you sent under cover of your letter dated 9th June. He has also seen the Chancellor of the Exchequer's suggestion on handling in his Private Secretary's letter of 20th June, which I believe has now been copied to you.

The Supplementary Report recommends gross increases in pay for medical and dental officers of about 6.6% at 1st April 1983 rising to 9.3% on 1st January 1984. This represents an increase of 7.1% over the current pay bill for those officers, costing £2.15m. The recommended scales of pay and the phasing of the award mirror the recent pay rise given to civilian doctors and dentists following the Government's acceptance of the report from the DDRB, and of course also reflect the Government's decision to implement in full the AFRPB's recommendations on the pay of combatant Servicemen.

My Secretary of State recommends that the Government should accept the AFPRB's present recommendations. I understand that the Secretary of State for Health and Social Security concurs. Mr Heseltine assumes that the Chancellor's proposal to defer a decision until Ministers are ready to reach conclusions on the TSRB report recognises the possibility of problems with the interface between the recommended rate for a medical Brigadier (an AFRPB rank), which is £26,750, and the pay of a Major General, which is at present £25,000, with a TSRB recommendation for an increase to £27,750. If Ministers were to decide not to implement the TSRB recommendation in full the differential between the medical Brigadier and the medical Major General would be at risk.

M Scholar Esq

CONFIDENTIAL

My Secretary of State does not believe that delay would be of any benefit. There is already no differential between the combatant Brigadier and Major General, pending decisions on the TSRB report. The present Supplementary Report is in effect a compound of two reports which the Government has accepted in full and implemented. The Government has never since 1979 rejected a recommendations from the AFRPB, and my Secretary of State very much doubts whether it is realistic to assume that Ministers might want to contemplate the possibility in relation to the medical Brigadier. He believes that the best interests of the Government lie in accepting the present report in full straight away; and he so recommends.

If the Prime Minister agrees to an early announcement we suggest it might be made by way of a reply to a written question. I enclose // a draft written question and answer, together with a draft letter for the Prime Minister to send to Sir David Orr. HMSO will be able to publish the report by 29th June. To allow for copies of the report x to be put in the Vote Office you may wish to arrange the announcement for about two days later.

I am copying this to the recipients of your letter.

Yours ever

Nick Evans

(N H R EVANS)
Private Secretary

A

WRITTEN

DRAFT

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 Armed Forces Pay Review Body have submitted to me a Supplementary Report on the pay of medical and dental officers in the Armed Forces. It recommends increases in their pay of amounts averaging 6.6% from 1st April 1983 rising to 9.3% from 1st January 1984. These recommendations reflect the award to civilian doctors and dentists which I announced to the House on 12th May 1983 (OR Vol 42 No. 114 Cols 434/435). I said at the same time that the Government had accepted in full the recommendations in the Twelfth Report of the Armed Forces Pay Review Body (Cmnd 8880) on the pay of the majority of the members of the Forces.

The Government has decided to accept in full the recommendations in the Supplementary Report on the pay of medical and dental officers. The Report has been published as Cmnd 8950. Copies are available in the Vote Office.

DRAFT LETTER TO SIR DAVID ORR

Thank you for your letter of 3rd 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 writing to inform you that the Government has accepted the Review Body's recommendations in full. The decision ~~will~~ is be announced today by means of a written answer in the House of Commons ~~on [ ]~~. The Supplement to the Twelfth Report will be published at the same time, as Cmnd 8950.

I am grateful to the Review Body members for the time and care they have put into producing this report, and I should be pleased if you could pass my personal thanks to them.

CONFIDENTIAL

A

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

29 June 1983

Michael Scholar Esq
10 Downing Street
LONDON
SW1

Dear Michael,

ARMED FORCES PAY REVIEW BODY -
PAY OF MEDICAL AND DENTAL OFFICERS

MS Box

The Chancellor has seen Nick Evans' letter to you of 27 June proposing publication today of the Supplementary Report by the AFPRB on the pay of Service Medical and Dental Officers.

As you know, Ministers will shortly be discussing the outstanding TSRB Report. Given this, the Chancellor feels that it would be quite wrong to take any decision now on the latest AFPRB Report. Moreover, as decisions on the TSRB Report should be taken shortly, he sees little point in immediate publication of the Supplementary Report.

I am copying this letter to Nick Evans (MOD) and Steve Godber (DHSS).

Yours sincerely,
Margaret O'Mara

MISS M O'MARA
Private Secretary

Defence
Armed Forces
pay, pt 2

NBPM

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

MS 21/6

20 June 1983

R C Mottram Esq.
Private Secretary to the
Secretary of State for Defence

Dear Richard,

ARMED FORCES PAY REVIEW BODY: PAY OF MEDICAL AND DENTAL OFFICERS

The Chancellor of the Exchequer has seen Michael Scholar's letter to you of 9 June.

He thinks it would be sensible to deal with the AFPRB report on Medical and Dental Officers alongside the recent report by the Top Salaries Review Body which covers grades in the armed forces medical services at Major-General level and above.

I am copying this letter to Steve Godber (Department of Health and Social Security).

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

Defence : AFPRB Pt 2.

FILE

R M

CONFIDENTIAL

9 June, 1983

ARMED FORCES PAY REVIEW BODY

I enclose a copy of the Review Body's Supplementary Report on the pay of medical and dental officers in the Armed Forces, which the Prime Minister received under cover of a letter from Sir David Orr on 3 June.

I would be grateful if you would let me have a draft reply for the Prime Minister's signature after the necessary consultations and decisions have been taken.

BF

I am sending a copy of this letter and its enclosure to Margaret O'Mara (HM Treasury) and Steve Godber (Department of Health and Social Security).

M. C. SCHOLAR

R. Mottram, Esq.,
Ministry of Defence

CONFIDENTIAL

CONFIDENTIAL

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

3 June, 1983.

(2)

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

Prime Minister

This recommends a 7.1% increase for doctors and dentists in the Armed Forces, and takes account of the government's treatment of the DDRB abatement.

I will resubmit with advice, after June 9.

MCS 3/6

Dear Prime Minister

Armed Forces Pay Review Body

I enclose the Review Body's supplementary report on the pay of medical and dental officers in the Armed Forces which, as you know, we could not complete until the Government had made known its decisions on increases in the pay of doctors and dentists in the National Health Service. Our recommendations take account of those decisions.

Yours sincerely

David

Sir David Orr,
Chairman,
Armed Forces Pay Review Body.

CONFIDENTIAL

FILE

cc: MOD

10 DOWNING STREET

THE PRIME MINISTER

17 May, 1983

Dear Sir David,

I am sorry that it proved impossible to give you advance notice of my announcement in the House of Commons on 12 May of the Government's decision to accept in full the recommendations in the Review Body's Twelfth Report, on pay and charges of the Armed Forces.

I am most grateful to you and to the other members of the Review Body. Please would you pass my personal thanks to all concerned? I understand that the new rates of pay will be implemented in time for payment this month.

I note that you will now be preparing the report on the pay of Armed Forces medical and dental officers which you mention in your letter of 8 April.

Yours sincerely

Margaret Thatcher

Sir David Orr, MC

RM

Defence

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 4/4

16th May 1983

Dear Michael,

REVIEW BODY ON ARMED FORCES PAY

In response to your letter dated 12th May and following the traditions of previous years, I attach a draft note for the Prime Minister to send to Sir David Orr, thanking him and his colleagues for their report and confirming the Government's decision on its acceptance.

Yours ever

Nick Evans

(N H R EVANS)

M C Scholar Esq

pl type letter

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

I am sorry that it proved impossible to give you advance notice of my announcement in the House of Commons on 12th May of the decision to accept in full the Review Body's recommendations for pay and charges of the Armed Forces.

Hopeless

I said that the Government was grateful to the Review Bodies for their reports, ~~and~~ and I should be pleased if you would pass my personal thanks to your members for the hard work they have put into the preparation of the report on Service Pay. I understand that the new rates of pay will be implemented in time for payment this month.

I note that you will now be preparing the report on the pay of Armed Forces medical and dental officers which you mention in your letter of 8th April.

DEFENCE: Armed Forces Pay

Pt 2.

FILE

da

10 DOWNING STREET

From the Private Secretary

12 May 1983

Review Body on Armed Forces Pay

I enclose a copy of a letter dated 8 April which the Prime Minister has received from Sir David Orr, with which Sir David enclosed the Review Body's Report on Armed Forces Pay which we published today.

B/F

I would be grateful for a draft reply for the Prime Minister's signature, by Monday 16 May.

M. C. SCHOLAR

Nick Evans, Esq.,
Ministry of Defence.

010

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

8 April 1983

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

I enclose the Review Body's Twelfth Report, which contains our recommendations on the levels of military salaries, and of food and accommodation charges, that we consider appropriate at 1 April 1983 for members of the armed forces. As usual, we will put forward our recommendations on the pay of medical and dental officers at a later date, when decisions on the remuneration of general medical practitioners in the National Health Service are known.

Yours sincerely

David Orr

SIR DAVID ORR, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

CONFIDENTIAL

Defence
c. B1

Defence
da

10 DOWNING STREET

From the Private Secretary

28 February 1983

Dear Nick,

Local Overseas Allowance

Thank you for your letter of 25 February about the new rates of Local Overseas Allowance for Germany and elsewhere.

As I told you this morning, the Prime Minister's initial reaction was that sterling's recent fall against the deutschmark made these changes unnecessary. On further explanation of the system the Prime Minister accepted that these exchange rate changes had no bearing on the staged reduction of the rates which you are proposing, but enquired about the necessity for reductions of this scale at this time.

Upon further consideration the Prime Minister agreed to the proposals set out in your letter; but suggested that the draft Answer should also cover the Local Overseas Allowance payable in respect of those serving in the Falklands.

Yours sincerely,

Michael Scholar

Nick Evans, Esq.,
Ministry of Defence.

CONFIDENTIAL

SS

MOD

25.2.83

Dear Michael,

We spoke. Grateful if the duty clerk could let us know, via the MOD resident clerk, on Sunday if the PM is not content.

Yours aye

Mick.

Local Overseas Allowance

M Jd tell MOD.

Please DELAY

Since the X change rate has fallen against the D.M and may fall further what is the effect on the overseas mil

(2)

Prime Minister

To be aware.

MLS 25/2

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

MO 3/9

25th February 1983

cc BI

Dear Michael,

LOCAL OVERSEAS ALLOWANCE

You will wish to be aware, in view of the Prime Minister's involvement last year, that new rates of Local Overseas Allowance (LOA) are to be introduced in Germany and elsewhere from 1st April. We intend that these changes should be announced in answer to a Parliamentary Question on Monday and a copy of the proposed answer is attached for information.

LOA is paid to members of the Forces to meet the extra cost of living on overseas stations. It is normally reviewed annually. As the Prime Minister will recall the 1981 Review showed that the gap between the cost of living in Germany and in the United Kingdom had narrowed and that the rates of allowance in issue were no longer justified. The Review carried out at the end of 1982 (in effect a completion of the 1981 Review) determined that existing rates, even after the reductions which had been made last year, are still in excess of the amounts required to meet the extra costs currently being experienced in Germany by amounts ranging from 23-26% of present rates for single personnel and from 6-11% for married personnel.

A table showing new rates of allowance effective from 1st April is attached. In recognition of the cuts already imposed and in order to give Servicemen time to adjust to the new rates it has been agreed that, as before, the reductions will be staged, as follows:

Single officers and other ranks	- 50% from 1st April, the remainder from 1st August
Married officers	- reductions in full from 1st April
Married other ranks	- reductions in full from 1st August

These rates have been agreed with the Treasury and have been accepted by the Service Commanders-in-Chief.

Yours ever
Nick Evans

(N H R EVANS)

M C Scholar Esq

DRAFT WRITTEN PARLIAMENTARY QUESTION AND ANSWER (for 28 February)

To ask the Secretary of State for Defence whether local overseas allowance paid to servicemen has been reviewed, and with what results.

Mr Blaker

Local Overseas Allowance (LOA) is a tax-free compensatory allowance paid to Service men and women overseas, in addition to their pay, to meet the essential extra cost to them of serving abroad rather than in the UK. This extra cost varies from place to place, and is bound to change over time, for example in response to different price movements at home and abroad. LOA also compensates for variations in exchange rates. The rates of LOA are therefore kept under review, using the same principles and criteria worldwide. Recent reviews have reflected changes in local conditions, and have for example led to increases in LOA in Cyprus, Italy and Portugal and (for most ranks) in France, and to decreases in Belize, Brunei and the USA. In certain other posts, such as Hong Kong, there has been no need for significant change. The further review in Germany referred to in my reply to the hon Member for Preston, North (Mr Robert Atkins) on 26 March 1982 has now been completed and new rates will be introduced there from 1 April 1983. In German currency, the new rates will provide less LOA than those in issue on 1 January 1983 but because of changes in the exchange rate LOA rates in pounds sterling have been increased.

Appendix 2

RATES OF LOA FOR BRITISH FORCES AREA OF GERMANY

	Single Corporal		Single Captain		Married Corporal		Married Captain	
		£		£		£		£
	Daily LOA	Reduction	Daily LOA	Reduction	Daily LOA	Reduction	Daily LOA	Reduction
Previous Rates								
1 January 1983 (£1 = DM 4.20)	2.09		3.37		4.91		5.58	
1 February 1983 (Recalculated to reflect new exchange rate : £1 = DM 3.75)	3.44		5.39		6.85		8.20	
New Rates								
First staging reduction (from 1 April 1983)		.44		.68		-		.49
Second stage reduction (from 1 August 1983)		.44		.68		.73		-
Final rate (from 1 August 1983)	2.56		4.03		6.12		7.71	

cc MOD
KMT

HL

10 DOWNING STREET

THE PRIME MINISTER

7 February 1983

Dear Sir David,

Thank you for your letter of 18 January in which you set out the Armed Forces Pay Review Body's recommendation on London Weighting for members of the Armed Forces from 1 April 1982.

I am writing to tell you that the Government will be implementing your recommendations accordingly. I am grateful to you and your colleagues for your advice on this matter.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

HL

010

Ring Defence

PA

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

3 February 1983

M Scholar Esq
10 Downing Street
LONDON SW1

Dear Michael

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

We have spoken about Mr Heseltine's minute of 28 January to the Prime Minister and the suggested draft letter to Sir David Orr.

While the Chancellor does not wish on this occasion to object to the implementation of the Review Body's recommendation, he remains concerned about the longer term implications, and possible repercussions, of formally accepting their view that the Armed Forces should be treated as a special case for the purposes of London Weighting.

He would therefore prefer that the reference to the Government's "acceptance" of the AFPRB's arguments should be deleted from the second paragraph of the draft letter to Sir David Orr.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA

Michael

Margaret O'Mara phoned about the S/S Defence's letter to PM of 28 Jan about London Weighting for the Armed Forces

The Chancellor disagrees that "the Government accepts the arguments put forward", & thinks the draft reply should be amended.

Nicky.

MO 4/4

PRIME MINISTER

LONDON WEIGHTING FOR THE ARMED FORCES

I have seen your Private Secretary's letter of 18th January which covered the Armed Forces Pay Review Body's recommendations on London Weighting from 1 April 1982.

2. I agree with Sir David Orr's observation that those members of the Armed Forces who serve in London have no choice in their posting, and should not be put at a financial disadvantage relative to their colleagues serving elsewhere. Their position is clearly very different from that of other London-based public employees, and for this reason I believe that the Government should be prepared to implement the Review Body's recommendations in full. The cost of doing so (some £618,000) can be met from within cash limits.

3. A draft reply to Sir David Orr is attached which assumes that you will accept this recommendation. I understand that the Treasury and Department of Employment are content with the proposed increase.

4. I am copying this to the Chief Secretary, the Lord Privy Seal, the Secretary of State for Employment and Sir Robert Armstrong.

Ministry of Defence
28th January 1983

Pl type

DRAFT LETTER FROM THE PRIME MINISTER TO SIR DAVID ORR

Thank you for your letter of 18 January in which you set out the Armed Forces Pay Review Body's recommendation on London Weighting for members of the Armed Forces from 1 April 1982.

I am writing to tell you that the Government ~~accepts the arguments you have put forward and~~ will be implementing your recommendations accordingly. I am grateful to you and your colleagues for your advice on this matter.

Defence Forces
Armed Forces
Pay, Pt 2

Defence

CF pl put in with Sec of State.

MR SCHOLAR

cc Mr Mount

LONDON WEIGHTING FOR THE ARMED FORCES

I suggest that the Prime Minister should wait for comments from the Chancellor and the Secretary of State for Defence before deciding on the recommendation of the AFPRB on Armed Forces' London Weighting from 1 April 1982.

However, I see nothing particularly controversial about this. The increases recommended vary from 6.1% to 9.8%, which are in general within the 9.4% increase in the London Weighting indices published by the Department of Employment. Even the 9.8% increase proposed for the Inner London basic rate is within the range of London Weighting generally awarded last year. And the cost of the award is small.

19 January 1983

Defence

10 DOWNING STREET

From the Private Secretary

18 January 1983

REVIEW BODY ON ARMED FORCES PAY:
LONDON WEIGHTING

I attach a copy of a letter the Prime Minister has received from Sir David Orr, Chairman of the Review Body on Armed Forces Pay, about London Weighting for members of the Armed Forces from 1 April 1982.

I would be grateful if you would let me have a draft reply for the Prime Minister's signature, agreed with the Treasury and the other Departments concerned as soon as possible.

I am copying this letter to John Gieve (Chief Secretary's Office), Mary Brown (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Richard Mottram, Esq.,
Ministry of Defence.

Sup

10 DOWNING STREET

From the Private Secretary

18 January 1983

I am writing on behalf of the Prime Minister to thank you for your letter of 18 January.

I will place this before her at once and a reply will be sent to you as soon as possible.

M. C. SCHOLAR

Sir David Orr, M.C.

Prime Minister 2

I will let you have a draft reply. MCS 18/1

cc JV

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

Defence

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

18 January 1983

MT

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY: LONDON WEIGHTING

1. The Review Body has recently considered evidence from the Ministry of Defence on the level of London weighting for members of the armed forces with effect from 1 April 1982. In accord with previous practice, it seems appropriate to convey our recommendations on this subject by letter rather than in the form of a supplement to our 1982 report: only a very small proportion of men and women in the Services is affected.

2. Since 1974 London weighting for the armed forces has been calculated on the basis proposed by the Pay Board[1] but modified to take account of the specific circumstances of the armed forces. The elements in the Pay Board formula covering the additional costs of housing and travel to work in London are excluded from the basic armed forces rates because Service accommodation is provided at a cost standardised throughout the country and there is some reimbursement of the additional costs of travelling to work. Higher rates, which allow for the housing element, are payable to those who are owner-occupiers and travel daily from their homes to work in London. Taking this as our basis, we feel that the following rates of London weighting are appropriate with effect from 1 April 1982 (current rates in brackets):

	Inner London	Outer London
	£	£
Basic Rate	569 (518)	325 (296)
Owner-Occupier Rate	850 (788)	434 (409)

3. In their evidence to the Review Body on this subject, the Ministry of Defence drew attention to the fact that a number of public service employees received increases in London weighting last year which were below the levels indicated by the Department of Employment indices. We have borne this in mind in considering the levels appropriate for the armed forces. However, we have also been very conscious that servicemen and servicewomen are

[1] Pay Board Advisory Report 4, London Weighting, Cmnd 5660, July 1974.

compulsorily posted (on a temporary basis) to London. In this respect, members of the armed forces are in a different position from most people who receive London weighting. Consequently, we take the view that they should not be put at a financial disadvantage relative to Service colleagues elsewhere and that London weighting in their case is more in the nature of a reimbursement of additional costs than a payment aimed at recruitment, retention and motivation in a particular locality.

4. We conclude that the rates of London weighting set out above are appropriate and we recommend their implementation with effect from 1 April 1982. We estimate the additional annual cost arising from this recommendation to be £618,000.

Yours sincerely

SIR DAVID ORR, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

Defence Forces Pers, Armed pt 2.

Defence VB

File cc HMT MOD CO

10 DOWNING STREET

THE PRIME MINISTER

15 December 1982

Dear Sir David

Thank you for your letter of 6 December in which you have explained the basis of your recommendation for an award of £100 for the members of the Army Graves Registration Team in recognition of their work in the Falkland Islands. I am writing to tell you that the Government accepts the arguments for a lump sum payment and will implement your recommendation as soon as possible.

I am most grateful for the speed in which you and your colleagues have arrived at your findings.

Yours sincerely

Margaret Thatcher

Sir David Orr, M.C.

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

6 December 1982

Dear Prime Minister

REVIEW BODY ON ARMED FORCES PAY

The Ministry of Defence, with the agreement of the Treasury, have recently asked the Review Body to consider the question of a special payment to servicemen involved in Graves Registration tasks following the Falkland Islands' conflict. We were requested to consider this in advance of our normal review timetable so that any resulting payment could be put into effect as soon as possible. We have now had an opportunity to do so.

We have no doubt that an additional payment is justified in the particular circumstances. The task was exceptionally harrowing and involved work far beyond normal military duties. All involved were volunteers, drawn from Pioneer Units in the United Kingdom.

The proposals put to us were for the introduction of a separate standing form of daily payment for Graves Registration work, to be set at a level of £7 a day. However, we see a special form of pay at a set rate as inappropriate to the nature, extent and likely frequency of this type of work. We have been told that the task in the Falklands is now complete and that it involved a small team of 12 men who, whatever their rank, were involved equally in the work which took a total of 14 days. In these circumstances, we consider a single lump sum payment to be the most suitable means of recognising the task carried out by these men.

In assessing an appropriate amount, we have had very much in mind the nature of this particular task and the circumstances in which it was undertaken. We consider that a sum of £100 would be appropriate and recommend payment of such an amount to each member of the Army Graves Registration Team in the Falkland Islands.

We hope that the payment can be effected at an early date. It is in order to facilitate this that I am writing to you now, although we shall no doubt need to refer to this recommendation in due course as part of our overall recommendations to you at the end of the current review.

Yours sincerely

David

SIR DAVID ORR
CHAIRMAN, REVIEW BODY
ON ARMED FORCES PAY

Defence

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

14th December 1982

Dear Michael,

My Secretary of State has seen Sir David Orr's letter of 6th December to the Prime Minister covering payment for Graves Registration work in the Falkland Islands. Mr Nott notes that these recommendations have been agreed by colleagues in the Treasury, and is satisfied that they are acceptable. I therefore enclose a draft letter for the Prime Minister to send in reply to Sir David Orr.

I am copying this to the recipients of your letter.

Yours ever,

Nick Evans.

(N H R EVANS)

M C Scholar Esq

M type for PM

DRAFT LETTER FROM PM TO SIR DAVID ORR

Thank you for your letter of 6 December in which you have explained the basis of your recommendation for an award of £100 for the members of the Army Graves Registration Team in recognition of their work in the Falkland Islands. I am writing to tell you that the Government accepts the arguments for a lump sum payment and will implement your recommendation as soon as possible.

I am most grateful for the speed in which you and your colleagues have arrived at your findings.

Defence : AFRB : PT2

CF NOTE CJV

DEFENCE

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022X~~ 218 2111/3

MO 4/4

8th December 1982

Dear Margaret,

My Secretary of State was very grateful for the constructive advice given in the Chancellor's letter dated 29th November. He is content to accept the draft evidence proposed by the Treasury subject to one minor clarifying amendment which has been agreed by MOD and Treasury officials. In the final paragraph the words "some 9 per cent" should be deleted and replaced by "11.75 per cent, some 10.15 per cent".

The MOD will now submit the evidence to the AFPRB.

Copies of this letter go to the Private Secretaries of members of E(PSP), Sir Robert Armstrong and to Mr Scholar at No 10.

Yours ever

Mich Evans

(N H R EVANS)

Miss M O'Mara

DEFENCE: Armed Forces Pay: Pt 2.

Bre.

RL

10 DOWNING STREET

From the Private Secretary

6 December 1982

REVIEW BODY ON ARMED FORCES PAY:
GRAVES REGISTRATION WORK

I attach a copy of a letter which the Prime Minister has received from the Chairman of the Review Body on Armed Forces Pay. This recommends that a sum of £100 should be paid to each member of the Army Graves Registration Team in the Falkland Islands.

I would be grateful if you could let me have, in consultation with the other departments concerned, an early draft reply for the Prime Minister to send to Sir David Orr.

I am sending a copy of this letter to Margaret O'Mara (HM Treasury) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Richard Mottram, Esq.,
Ministry of Defence

CONFIDENTIAL

cc SV

MBPM

MO 30/11

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

The Rt Hon John Nott MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

29 November 1982

Dear John

LONDON WEIGHTING FOR THE ARMED FORCES

Thank you for your letter of 12 November, attached. I am sorry that you thought my suggested revised version of the evidence for the Armed Forces gave the impression that we were leaning on the AFPRB to ignore the Department of Employment indices. I think it has to state the plain facts that the indices are based on expenditure patterns which are now out of date, and to refer to Norman Tebbit's statement in the House on 19 October, which set out the Government's current policy on London Weighting. The AFPRB are, of course, entirely free to make up their own minds about how relevant these facts are to the circumstances of the Armed Forces.

I of course accept that the Board are looking at a period which ended six months before the decision to abolish the indices. But the policy considerations in the statement apply irrespective of the timing. And in any case we agreed to adopt, and have adopted, a rigorous approach to the 1982 "round" of London Weighting settlements. The recent settlement for the non-industrial Civil Service averaged some 9 per cent below the levels which would have been indicated by conventional application of the indices. We hope that London Weighting for teachers and NHS staff will similarly be settled at levels well below the indices and in line with what has been achieved for the Civil Service. The Police have had their total London allowances increased by less than 7%. It would be odd to treat the Armed Forces differently.

That said, I entirely take your point that market forces are difficult to apply directly to the determination of London Weighting for the Armed Forces who do not recruit specifically for London. But this does not mean that the only course is to revert to considerations of cost compensation, a factor which

the Government has now stated justifies less emphasis. A relevant consideration is the increase in London Weighting agreed for public services where market factors do directly apply. That is why I attach importance to the inclusion of a reference to the Civil Service London Weighting settlement. But I would be quite happy to modify paragraph 3 of the evidence to meet your point about market forces. I am ready too to drop the reference to the details of the 1974 Pay Board Report, which were quoted in the Treasury's earlier version. And if you think its better to quote Norman Tebbit's Statement in an Annex, rather than in the text proper, I am happy to agree to that too.

Finally, I entirely agree with you that this matter is taking far too long to settle. (The longest delay seems in fact to have been the six weeks that followed your receipt of Leon Brittan's letter of 3 September! But your people were no doubt awaiting Norman Tebbit's Statement to the House on 19 October). We are concerned with a simple statement of fact and an agreed Government policy. I hope we can strike a deal on the attached compromise text, which includes the concessions described in paragraph 3 above, and should I think go to the AFPRB very soon.

Copies of this letter go to members of E(PSP), to Sir Robert Armstrong, and to Mr Scholar at No. 10.

GEOFFREY HOWE

PROPOSED EVIDENCE

1982 PAY REVIEW - LONDON PAY

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

	Inner London		Outer London	
	£pa	£(daily)	£pa	£(daily)
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	786.66	(2.16)	407.84	(1.12)

2. London Weighting indices up to April 1982 were published in the Department of Employment Gazette for June 1982, Volume 90 No. 6. For the information of the Review Body, calculations based on this format, which are shown at Annex A, would produce an average increase of 9.4 per cent. Details of the numbers in receipt of London Pay, together with current costs, are given at Annex B.

3. For many other public service employees, London Weighting was settled last year at levels below the Department of Employment indices. The Government has now decided to discontinue publication of the indices for the reasons explained in a statement to Parliament on 19 October 1982 by the Secretary of State for Employment: text at Annex C. The Government invites the Review Body to have regard to its general strategy in this field in framing its recommendations.

4. The Government has taken similar action in its negotiations with the Council of Civil Service Unions about this year's London Weighting settlement for the non-industrial Civil Service. As the Review Body will have seen, the outcome was an agreed settlement with the unions at levels averaging some 9 per cent below those which would have been indicated by a conventional application of the Department of Employment's indices.

UPRATING OF LONDON PAY - DETAILED CALCULATIONS

calculations shown below reflect the Guidance in Appendix VI of the Pay Board ort .

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

	Inner £	Outer £
) Other Costs $54 \times \frac{327.6}{100} \times \frac{100}{70}$	252.72	252.72
ii) Wear and Tear $105 \times \frac{301.3}{100}$	316.36	
$24 \times \frac{301.3}{100}$		72.31
	569.08	325.03
) Housing $95 \times \frac{208.6}{100} \times \frac{100}{70}$	283.10	
$54 \times \frac{142.2}{100} \times \frac{100}{70}$		109.70
l of (i), (ii) and (iii)	852.18	434.73

	Inner £pa	Inner (£ daily)	Outer £pa	Outer (£ daily)
refore new basic rate:	569.08	(1.56)	325.03	(0.89)
owner occupier rate:	852.18	(2.33)	434.73	(1.19)

CURRENTLY IN RECEIPT OF LONDON PAY AND COSTS

	INNER LONDON		OUTER LONDON		
	Basic Rate	Owner Occupier Rate	Basic Rate	Owner Occupier Rate	
Numbers					TOTALS
RN	1127	100	1120	122	2469
ARMY	3410	692	3848	268	8218
RAF	771	612	3223	383	4989
	5308	1404	8191	773	15676
Current Cost (£M)					
RN	0.584	0.079	0.331	0.050	1.044
ARMY	1.767	0.546	1.138	0.110	3.561
RAF	0.399	0.482	0.952	0.157	1.990
	2.750	1.107	2.421	0.317	6.595

Annex C.

there is no evidence of adverse effects. For this reason it recommended, in addition to new control limits, an overriding requirement to reduce exposure to the minimum that is reasonably practicable, and this requirement has been applied by the Factory Inspectorate in enforcement of the existing legislation on asbestos.

The Health and Safety Commission, in considering the new control limits to be introduced from 1 January 1983, bore in mind the advisory committee's recommendations and emphasised, in its announcement of the new limits, that these are not absolutely safe levels.

Mr. Ernie Ross: asked the Secretary of State for Employment how many recommendations have been made by the Health and Safety Executive in the past three years regarding the reduction of asbestos levels in the air; and, to date, how many have been carried out.

Mr. Waddington: The Health and Safety Commission's advisory committee on asbestos, in its final report published in 1979, recommended more stringent control limits for exposure to asbestos in air at the workplace for chrysotile—white asbestos—and amosite—brown asbestos. These recommendations were that the limit for chrysotile should be halved to 1 fibre/ml of air and that the limit for amosite should be reduced from 2f/ml to 0·5f/ml. The limit for crocidolite was to be maintained at its current level of 0·2f/ml. Since the report, considerable progress has been made in British industry towards achieving these limits, and they will become effective on 1 January 1983.

The advisory committee also recommended the scheduling of asbestos works to enable stricter control of emissions of asbestos dust into the atmosphere. The Health and Safety Commission will shortly be sending proposals for regulations to implement this recommendation to the Secretary of State for the Environment.

It was originally the Government's intention to implement the ACA's recommendations through the proposed European Community directives currently under negotiation, but slow progress on the directives has led the HSE to conclude that action should be taken now. The HSC will consider whether further action should be taken if the results of current reviews on the developments in medical knowledge and the means of controlling exposure show this to be necessary.

Lyons Maid, Liverpool

Mr. Parry asked the Secretary of State for Employment if he will make a statement on the discussions his Department has had with representatives of the workers from the Lyons Maid factory in Liverpool.

Mr. Waddington: I met a deputation from the Lyons Maid Liverpool action committee on 14 October.

The deputation outlined the current situation at the factory, and summarised the various methods it had been exploring with Lyons Maid management and local interests to try to keep the factory open. I pointed out that it is Government policy not to interfere in the commercial judgment of firms. However, I have since written to Lyons Maid informing it of the meeting.

Mr. Parry asked the Secretary of State for Employment if he will make a statement on employment consequences of the proposed closure of the Lyons Maid factory, Liverpool.

Mr. Waddington: I understand the Lyons Maid factory in Liverpool, which is due to close on 3 December 1982, employs 357 workers at present. It is not possible to give any realistic estimate of the number of workers currently employed there who, in the event of closure, would subsequently register as unemployed.

All the facilities of the Manpower Services Commission will, of course, be made available to the workers affected to help them find new jobs or to train for fresh employment if the closure goes ahead.

London Weighting Indices

Mr. Wolfson asked the Secretary of State for Employment if he will make a statement on the future of the London weighting indices published by his Department.

Mr. Tebbit: London differentials are a matter for employers and employees to determine according to the circumstances of each firm or industry. But in the Government's view the indices encourage negotiators to place too much emphasis on the need to compensate employees for the additional costs of working in London and too little on the need to set rates of pay which the employer can afford, and which are sufficient to recruit, retain and motivate employees in London. Moreover, the indices are based on expenditure patterns which are now out of date. Therefore, I have decided to discontinue publication of the indices.

SCOTLAND

Assisted Places Scheme

Mr. Ernie Ross asked the Secretary of State for Scotland how many assisted places were made available *(a)* at Dundee high school and *(b)* in total at all participating schools in Scotland for the latest academic year; how much money was allocated in each case for assisted places; and how many places were awarded to pupils from fee-paying schools in each case.

Mr. Alexander Fletcher: Allocations of fee remission grant for the 1982-83 session were announced by my right hon. Friend in his reply to the hon. Member for Fife East (Mr. Henderson) on 29 April 1982. Information on numbers of places awarded for the 1982-83 session is not yet available.—[Vol. 22, c. 349-50.]

Jobs (Protection and Creation)

Mr. Ernie Ross asked the Secretary of State for Scotland how many jobs in Dundee are being supported by job protection and job creation schemes; and if he will provide a breakdown for each scheme.

Mr. Alexander Fletcher: The following table gives the numbers in Dundee covered by the schemes listed at the latest available date.

Scheme	*Numbers covered*	*at date*
Job release scheme	397	6 October 1982
Young workers scheme	387	14 October 1982
Temporary short time working compensation scheme	131	14 October 1982
Community industry	178	9 September 1982

1 Defence.

Armed forces pay

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cc SV

Internals: MUF
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PS/US of S(AF)
PS/PUS
MA/VCDS(P&L)
2SL
AG
AMP
2nd PUS
DUS(FB)
DUS(PL)
AUS(PL)
Head of DS14
CSO(Pay)
Sec PPOs

MINISTRY OF DEFENCE WHITEHALL LONDON SW1

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MO 4/4

12th November 1982

Dear Geoffrey

LONDON WEIGHTING FOR THE ARMED FORCES

In spite of my anxiety to get our evidence to the Armed Forces Pay Review Body as quickly as possible - it is long overdue - I am afraid that I cannot accept the draft attached to your letter of 4th November 1982.

I am worried about the tone of the draft, which gives the impression that the Government is leaning heavily on the AFPRB to ignore the indices despite the fact that we are here concerned with a period which ended six months before we announced the decision to abolish them. It seems to me that this sits ill with the appeal in paragraph 4 to the details of the 1974 Pay Board Report when its major recommendations rested squarely on the principle of cost compensation. Times have changed, but we really must maintain some integrity in our approach to Armed Forces pay if we wish to keep the Serviceman's confidence in the system, and the AFPRB's in our intentions.

The relevance of market forces to the determination of London Weighting for the Armed Forces is, as I said in my letter of 18th August, questionable because we do not recruit specifically for London. This applies particularly in the current pay year, as we are now almost two-thirds of the way through it. The AFPRB will find it impossible to comply with the last part of paragraph 3

The Rt Hon Sir Geoffrey Howe QC MP

of your evidence and it is therefore best left out if we do not want to devalue the general point. We can, of course, invite them to have regard to the Government's broad strategy in this field and to the need for restraint in framing their recommendations. This was the thrust of the draft evidence I circulated on 20th October. The Secretary of State for Employment has made the useful suggestion that we attach to the evidence a copy of the Hansard record of his statement to the House on the abolition of the indices, which gives the reason for that decision. I am of course very willing to do this, and should like to proceed accordingly.

It is now nearly three months since I first circulated draft evidence and we appear to be no nearer reaching agreement. We cannot ask the Armed Forces to wait indefinitely and if you are not persuaded by my present arguments I suggest that we ask the Prime Minister to arbitrate.

Copies go to members of E(PSP), to Sir Robert Armstrong, and to No 10.

Yours ever

John

John Nott

Defence

Armed forces pay

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26

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

4/4

The Rt Hon John Nott MP
Secretary of State for Defence

4 November 1982

Dear John

LONDON WEIGHTING FOR THE ARMED FORCES

Thank you for your letter of 20 October enclosing amended draft evidence to the Armed Forces Pay Review Body (AFPRB) on London Weighting for the Armed Forces for the year beginning 1 April 1982.

I agree, of course, that the evidence should now reflect the decision at E(PSP) to discontinue publication of the Department of Employment London Weighting indices. I do not accept, however, that most of the points made by the Chief Secretary in his letter of 3 September have now been overtaken by that decision. The fact that London Weighting boundaries as applied to the Armed Forces are wider than those recommended by the Pay Board, is still relevant; and so is the fact that the implementation date in respect of the Armed Forces is earlier than that recommended by the Board.

I also feel that the "stronger flavour" which the Chief Secretary was seeking to insert, has now disappeared from the revised version. We would not wish to give the AFPRB the impression that the indices remain a relevant consideration for the 1982 settlement. This was not our intention and we do not wish to risk complicating the Civil Service negotiations, the teachers' arbitration and in due course negotiations on NHS London Weighting. I realise, of course, that we cannot expect AFPRB simply to ignore the indices in the light of their recent publication, but we do need to give the Review Body a firm statement of the Government's views, thereby placing the indices in their proper perspective. I am therefore enclosing for your consideration an amended version, which sets out the Government's rigorous approach to this issue. Annexes A and B are as previously drafted, except for the deletion of the Revised Costs in Annex B which were based on the application of the indices and which would now seem inappropriate.

I trust that you and other colleagues will now feel able to agree the content of the evidence and thus expedite its submission to AFPRB. Copies go to members of E(PSP) and to Sir Robert Armstrong.

Yours

GEOFFREY HOWE

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PROPOSED EVIDENCE

1982 PAY REVIEW - LONDON PAY

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

	Inner London		Outer London	
	£pa	£(daily)	£pa	£(daily)
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	786.66	(2.16)	407.84	(1.12)

2. As the Review Body will be aware, London Weighting indices up to April 1982, were published in the Department of Employment Gazette for June 1982, Volume 90 No 6, prior to the Government's decision. For the information of the Review Body, the calculations based on this format, which are shown at Annex A, would produce an average increase of 9.4 per cent. Details of the numbers in receipt of London Pay together with current costs are given at Annex B.

3. For many other public service employees, London Weighting was settled last year at levels below the Department of Employment indices. The Government has now decided to discontinue publication of the indices for the reasons explained in the following statement to Parliament on 19 October 1982 by the Secretary of State for Employment:

> "London differentials are a matter for employers and employees to determine according to the circumstances of each firm or industry. But in the Government's view the indices encourage negotiators to place too much emphasis on the need to compensate employees for the additional costs of working in London and too little on the need to set rates of pay which the employer can afford, and which are sufficient to recruit, retain and

motivate employees in London. Moreover, the indices are based on expenditure patterns which are now out of date. Therefore, I have decided to discontinue publication of the indices."

The Government hopes that the Review Body will be able to apply the considerations in the statement to the particular circumstances of the Armed Forces.

4. The Government hopes that the Review Body will also take into account that in two respects the application of the Pay Board's method to the Armed Forces has been more favourable than envisaged in their report (Cmnd 5660):

(a) In paragraph 167, the Pay Board recommended that where the boundaries for payment of London Weighting differed from those they had recommended, "consistency with our recommendation can be secured by calculating a 'kitty' based on entitlement on our boundaries which is averaged over all employees". The Pay Board's recommended inner zone was defined as 0-4 miles from Charing Cross and their outer zone 4-16 miles from Charing Cross. London Weighting for the Armed Forces is currently based in zones extending 5 and 18 miles respectively from Charing Cross.

(b) In paragraph 168 the Pay Board recommended that annual changes in London Weighting should be paid from 1 July in each year. Armed Forces entitlements to London Weighting are currently brought into force as from 1 April each year.

5. The Government has adopted a similar rigorous approach in its negotiations with the Council of Civil Service Unions about this year's London Weighting settlement for the non-industrial Civil Service. As the Review Body will have seen, the outcome was an agreed settlement with the unions at levels averaging some 9 per cent below those which would have been indicated by a conventional application of the Department of Employment's indices.

UP

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).

	Inner £	Outer £
(i) Other Costs $54 \times \frac{327.6}{100} \times \frac{100}{70}$	252.72	252.72
(ii) Wear and Tear $105 \times \frac{301.3}{100}$	316.36	
$24 \times \frac{301.3}{100}$		72.31
	569.08	325.03
(iii) Housing $95 \times \frac{208.6}{100} \times \frac{100}{70}$	283.10	
$54 \times \frac{142.2}{100} \times \frac{100}{70}$		109.70
Total of (i), (ii) and (iii)	852.18	434.73

	£pa	(£ daily)	£pa	(£ daily)
Therefore new basic rate:	569.08	(1.56)	325.03	(0.89)
owner occupier rate:	852.18	(2.33)	434.73	(1.19)

ANNEX B

NUMBERS CURRENTLY IN RECEIPT OF LONDON PAY AND COSTS

	INNER LONDON		OUTER LONDON		
	Basic Rate	Owner Occupier Rate	Basic Rate	Owner Occupier Rate	
Numbers					TOTALS
RN	1127	100	1120	122	2469
ARMY	3410	692	3848	268	8218
RAF	771	612	3223	383	4989
	5308	1404	8191	773	15676
Current Cost (£M)					
RN	0.584	0.079	0.331	0.050	1.044
ARMY	1.767	0.546	1.138	0.110	3.561
RAF	0.399	0.482	0.952	0.157	1.990
	2.750	1.107	2.421	0.317	6.595

Defence, Armed Forces Pay, Pt 2

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MANAGEMENT IN CONFIDENCE

DF 19

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
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MO 4/4

20th October 1982

Dear Geoffrey

LONDON WEIGHTING FOR THE ARMED FORCES

On 18th August, I circulated to you and other members of E(PSP) draft evidence to the Armed Forces Pay Review Body on London Weighting for the Armed Forces for the year beginning 1 April 1982. The Chief Secretary made a number of detailed points in his letter of 3rd September, most of which were overtaken by the decision at E(PSP) on 30th September to discontinue publication of the Department of Employment London Weighting indices.

I have amended the draft evidence to reflect this new development. A copy is attached; the Annexes would be the same as those I circulated before. I propose to forward the revised evidence to the Armed Forces Pay Review Body as soon as the decision on the indices has been announced, if you and other colleagues agree.

Copies go to members of E(PSP) and to Sir Robert Armstrong.

Yours ever
John

John Nott

Copy to: PS/Minister(AF)
PS/US of S(AF)
PS/PUS
MA/VCDS(P&L)
2SL
AG
AMP
2nd PUS
DUS(FB)
AUS(PL)
DUS(PL)
Head of DS 14
CSO(Pay)
Sec PPOs

The Rt Hon Sir Geoffrey Howe QC MP

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MANAGEMENT IN CONFIDENCE

1982 PAY REVIEW - LONDON PAY

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

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

	Inner London		Outer London	
	£pa	(£ daily)	£pa	(£ daily)
Basic Rate	519.44	(1.42)	296.37	(0.81)
Owner Occupier Rate	786.66	(2.16)	407.84	(1.12)

2. The Department of Employment Gazette for June 1982, Volume 90, No.6, has now been published giving changes in the relevant indices up to April 1982, and calculations based on this information in the same format as presented on previous occasions are shown at Annex A. Details of the numbers in receipt of London Pay together with the current costs and those derived from the new indices are shown at Annex B. The average increase is 9.4%.

3. Last year, London Weighting for many other public service employees was settled at levels below the Department of Employment indices. It remains the Government's intention that increases should be based on managerial considerations rather than price movements, and to this end it has decided to discontinue publication of the Department of Employment London Weighting Indices. For future years it will therefore be necessa for the Review Body to devise a new method for determining a fair level of London Pay, taking account of market forces. In the meantime, the Government hopes that the Review Body will bear in mind the Government's general strategy in framing its recommendations for the current year.

Defence, Armed Forces Pay, A-2

CONFIDENTIAL FILE Defence da

cc: DES LPSD CPRS
DOE D/M bc: JV
LPO HO
DHSS MOD
CSO CO

10 DOWNING STREET

From the Private Secretary

30 September 1982

Dear Margaret,

The Prime Minister was grateful for the Chancellor's minute of 22 September, in which he reiterated his proposals of 6 April on the subject of the Armed Forces pay system.

The Prime Minister agrees that the Government evidence to the Board could in future concentrate more on affordability and market factors, as proposed in the Chancellor's minute. But she sees no point in announcing that the character of the evidence would be changed in this way. She has commented that these points are in fact of more importance in regard to police pay than to the Armed Forces' pay. The Prime Minister has further commented that there ought to be no problem about the Government being construed as criticising the AFPRB or as calling into question the commitment to the Armed Forces: the point to take here, in the Prime Minister's view, is that the Government has honoured and will honour the AFPRB awards.

I am sending copies of this letter to the Private Secretaries to the other Members of E(PSP), John Halliday (Home Office), Richard Mottram (Ministry of Defence), Richard Hatfield (Cabinet Office) and Gerry Spence (CPRS).

Yours sincerely,

Michael Scholar

Miss Margaret O'Mara,
HM Treasury.

CONFIDENTIAL

da

CONFIDENTIAL

PA Defence

MR. SCHOLAR

cc. Mr. Mount

ARMED FORCES PAY

Under cover of his note of 22 September, the Chancellor re-submits his minute of 6 April, recommending that the Government announce this autumn a significant change of emphasis in its future evidence to the AFPRB. You will recall that this proposal emanated from an Official Group, in which I participated, and that it is one which I strongly support. I would be grateful if, when you put the Chancellor's latest note to the Prime Minister, you would also re-submit my note to the Prime Minister of 7 April, which endorsed the conclusions of both the Group and the Ministerial Committee.

24 September 1982

4/2

CONFIDENTIAL

Submit whatever evidence the Chancellor wishes - but I see no point in announcing we are adding to the evidence. The point is that we honour the AFPRB awards.

The point is much more important. with regard to Police pay than the A.F's, not.

Prime Minister

Please see John Vereker's note to you of 7 April, whose conclusion he still strongly endorses.

Agree now to E(PSP)'s conclusions (para 3 at flag A)?

MCS 27/9

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

PRIME MINISTER

ARMED FORCES PAY

On 6 April I sent you a minute reporting the conclusions of the Ministerial Sub-Committee on Public Service Pay (E(PSP)) on the subject of the Armed Forces Pay System: for convenience, I attach a further copy. You Private Secretary's letter of 13 April to mine asked for the matter to be re-submitted to you after the Falklands situation had calmed down.

2. This I am now doing.

3. Although the question of appointments to the AFPRB, raised in paragraph 4 of the minute of 6 April, is no longer immediately relevant, I do not think that the passage of time has affected the arguments in the rest of the minute. This year's recommendations by the AFPRB were relatively modest; and it could be argued that there was no need to do anything that might be interpreted, however unfairly, as criticising the AFPRB or calling into question our commitment to the Armed Forces. But we should have no difficulty in rebutting any criticism on these lines; and in view of the need to continue to emphasise the importance of market factors in current public service pay negotiations, in negotiations following the Megaw report, and in the formative stages of the current pay round, I think we should go ahead as E(PSP) concluded.

4. I am sending copies of this minute to the other members of E(PSP), to the Home Secretary and the Secretary of State for Defence and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

22 September 1982

MJ
cc MOD

Defence

10 DOWNING STREET

THE PRIME MINISTER

29 June 1982

Dear Sir Harold

Thank you for your letter of 9 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 writing to tell you that the Government have 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 30 June. The supplement to the Eleventh Report will be published at the same time as Command 8573.

On the occasion of your last report as Chairman of the AFPRB, I should like to thank you once again for the long and valuable service you have performed in this role, and to wish you well for the future. I should be grateful if you would convey my thanks to all members of the Review Body for their work in producing this report.

Yours sincerely

Margaret Thatcher

Sir Harold Atcherley

JL

Defence.

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

MO 4/4

28th June 1982

Dear Michael,

My Secretary of State has seen Sir Harold Atcherley's letter of 9th June to the Prime Minister covering the Supplementary report by the AFPRB on the pay of Service medical and dental officers.

The report recommends gross increases in pay ranging from 4.2% for a newly appointed Cadet to 8.9% for a medical Brigadier, representing an increase of 5.8% over the current pay bill at a cost of £1.7M. The recommended scales of pay take account of the recent 5.7% award to the General Medical Practitioner in the National Health Service who provides the civilian analogue. Recommendations on pay and consultant pay are weighted towards the more senior levels to provide an incentive to retention for the more experienced officer. My Secretary of State notes that these recommendations, which have been accepted by his colleagues in the other Whitehall departments most closely concerned, cause no difficulties. We suggest, therefore, that an announcement should be made by way of a reply to a written question. The report is ready for publication by HMSO, and to allow for the positioning of copies in the Library it is suggested that the announcement might be made on Wednesday 30th June. For this purpose I enclose a draft, together with a draft letter for the Prime Minister to send to Sir Harold Atcherley.

I am copying this to the recipients of your letter.

Yours ever,

Jane Ridley

(N H R EVANS)

PA.

Mr Scholar

A parliamentary answer has been made today ~~answering~~ announcing these decisions. The letter to Sir Harold has been despatched. Phew!

WR
30/6

M Scholar Esq

WRITTEN

DRAFT

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

Following the earlier acceptance in full of the recommendations of the Eleventh Report of the Armed Forces Pay Review Body, the Government have now decided to increase the pay of Service medical and dental officers by amounts averaging 5.8% from 1 April 1982 in accordance with recommendations contained in a supplementary report by the Review Body, which is published today as Cmnd 8573. Copies are available in the Vote office.

DRAFT LETTER TO SIR HAROLD ATCHERLEY cwr PM type for PM MCS

Thank you for your letter of 9 June 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 have 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 [30 June]. The supplement to the Eleventh Report will be published at the same time as Cmnd 8573.

3. On the occasion of your last report as Chairman of the AFPRB, I should like to thank you once again for the long and valuable service you have performed in this role, and to wish you well for the future. I should be grateful if you would convey my thanks to all members of the Review Body for their work in producing this report.

cc JV

Prime Minister (2)

MLS 14/6

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon John Nott Mp
Secretary of State
Ministry of Defence
Main Building
Whitehall
London SW1A 2HB

11 June 1982

MT.

DEFENCE CASH LIMITS

I am surprised by the interpretation of cash planning contained in your Private Secretary's letter of 4 June to the Chancellor's office. There is no assumption under cash planning that cash limits should be increased automatically to cover additional in-year costs. The assumption is that efficiency and other savings should be made in order to contain expenditure within cash limits. Nor do I understand the apparent implication of paragraph 2 that paying the AFPRB is in some way not a "defence need".

The additional costs of the AFPRB and TSRB awards are very small compared with the total defence cash limits. I see no political problem in saying that, if it proves possible, the full awards were financed within existing provision by taut financial control, good housekeeping and efficiency improvements by the MOD. Indeed, I remain hopeful that it may prove possible to deal with at least some of the extra Falklands costs in the same way.. I am not suggesting cutting back on essential requirements: simply that in accordance with normal practice, any headroom which can be made available should be used to meet additional commitments. Some of the alternative methods of financing large extra defence costs might prove much less acceptable politically than a demonstration of good financial control by the MOD.

Cabinet has already agreed that every effort should be made to contain the costs of the recent Civil Service Arbitration Tribunal award within existing cash limits, subject to review of exceptional problems in the autumn.

I repeat my earlier suggestion that all these issues should be considered together later, when more information should be available.

I understand that our officials are still discussing the relevant arithmetic, but that the true extra cost of the AFPRB award may prove to be a little less than the £34 million you have asked for.

I am copying this letter to the Prime Minister and to Francis Pym, Geoffrey Howe and Sir Robert Armstrong.

Yours

LEON BRITTAN

MFJ Defence

10 June 1982

I am writing on behalf of the Prime Minister to thank you for your letter of 9 June which I will place before the Prime Minister.

A reply will be sent to you as soon as possible.

MS

Sir Harold Atcherley

OFFICE OF MANPOWER ECONOMICS
22 KINGSWAY
LONDON WC2B 6JY

Telephone 01-405 5944

Prime Minister (2)

We will let you have a reply as soon as possible

CONFIDENTIAL

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

9 June 1982

Dear Prime Minister,

ARMED FORCES PAY REVIEW BODY

(They are recommending increases which will cost 5.8% on the pay bill)

I enclose the Review Body's supplementary report on the pay of medical and dental officers in the armed forces, which as you know we could not complete until the Government had made known its decisions on increases in the pay of doctors and dentists in the National Health Service.

As this is the last occasion on which it falls to me to submit a report to you as Chairman of the Review Body, I should like to place on record the great satisfaction I have derived from carrying out this task over the last eleven years. It is my firm belief that the review body system provides the best possible basis for settling the pay of the armed services.

MCS 10/6

I am grateful to all my colleagues on the Review Body who have worked so hard and so constructively with me in carrying out our reviews. Finally, I should like in particular to pay warm tribute to the quality and devotion of the service that we have received from the staff of the Office of Manpower Economics. Their professionalism in the complex field of pay and associated matters is outstanding and I cannot envisage that any body such as ours could be better served.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
ARMED FORCES PAY REVIEW BODY

CONFIDENTIAL

Defence

10 DOWNING STREET

From the Private Secretary

10 June 1982

Dear David,

I attach a copy of a letter which the Prime Minister has received from Sir Harold Atcherley, Chairman of the Armed Forces Pay Review Body, about the pay of medical and dental officers in the Armed Forces.

BK

I should be grateful if you would let me have a draft reply, agreed with the other Departments concerned, for the Prime Minister's signature by Monday 21 June.

I am copying this letter to Peter Jenkins (HM Treasury), David Clark (DHSS), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

David Omand Esq
Ministry of Defence

copies of the Report not enclosed for copy recipients.

SB

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

9 June 1982

Dear Prime Minister,

ARMED FORCES PAY REVIEW BODY

I enclose the Review Body's supplementary report on the pay of medical and dental officers in the armed forces, which as you know we could not complete until the Government had made known its decisions on increases in the pay of doctors and dentists in the National Health Service.

As this is the last occasion on which it falls to me to submit a report to you as Chairman of the Review Body, I should like to place on record the great satisfaction I have derived from carrying out this task over the last eleven years. It is my firm belief that the review body system provides the best possible basis for settling the pay of the armed services.

I am grateful to all my colleagues on the Review Body who have worked so hard and so constructively with me in carrying out our reviews. Finally, I should like in particular to pay warm tribute to the quality and devotion of the service that we have received from the staff of the Office of Manpower Economics. Their professionalism in the complex field of pay and associated matters is outstanding and I cannot envisage that any body such as ours could be better served.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
ARMED FORCES PAY REVIEW BODY

Prime Minister (2)

MCS 4/6

cc V Defence

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~230 7022~~ 218 2111/3

MO 4/4

4th June 1982

Dear John,

ARMED FORCES PAY - CASH LIMITS

My Secretary of State understands the Chief Secretary has reservations about increasing the defence cash limit to accommodate the additional costs of the Service pay awards beyond the provision made in the 1982/83 Estimates. His reason is that he is unaware of any current pressure on the defence budget which would require further reductions in military numbers or in equipment and support to accommodate the amount of money - £34M - involved.

Although my Secretary of State understands that the Chief Secretary is prepared to consider the claim later, together with any other factors relevant to the 1982/83 defence cash limit, the matter cannot be left on this basis. A cash figure for 1982/83 was agreed after much discussion in last year's Survey. Whatever the current forecasts of cash spending - and it is much too early to make an authoritative assessment only two months into the financial year - the MOD must be free to spend this cash sum to satisfy defence needs; supplementary provision to meet the extra costs of the Falklands operation is a separate issue.

In accepting the full AFPRB recommendations the normal assumption was made that the cash limit would be enhanced to cover the additional costs beyond the Estimates provision, with corresponding increases in the PES years. The implication of the Chief Secretary's reservation is that the MOD should deliberately restrict its scope for manoeuvre in managing cash flow in the current year in order to find room for the additional costs of the Service pay awards. Politically it would be difficult to conceive of a more damaging time even to hint at the possibility of a change in our approach in this matter, and my Secretary of State is surprised that his political colleagues do not understand this. In short he would wish to announce as soon as possible an increase in Defence cash provision to accommodate the extra costs of the AFPRB and TSRB awards.

J O Kerr Esq

I am sending a copy of this letter to Michael Scholar, Terry Mathews and David Wright.

Yours sincerely

Nick Evans

(N H R EVANS)

Regence
cc. TV.

Prime Minister (4)

MCS 19/5

Treasury Chambers, Parliament Street, SW1P 3AG

N H R Evans Esq
Assistant Private Secretary to
Rt Hon John Nott MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
London SW1A 2HB

19 May 1982

MT

Dear Nick,

ARMED FORCES PAY - CASH LIMITS

The Chancellor has asked the Chief Secretary to consider the request in your letter of 12 May for an increase in the defence cash limits of £34 million, in respect of the 1982 AFPRB award.

The Chief Secretary has asked me to say that, leaving to one side the costs of the Falklands operation, he is not aware of any current pressure on the defence budget which would require further reductions in military numbers or in equipment and support, in order to accommodate this relatively small amount. The trend of expenditure in the final months of 1981-82 was much lower than your Secretary of State was forecasting when the 1981-82 cash limit increase was agreed. In order to bring 1981-82 spend up to the revised cash limit, sums in excess of £300 million were brought forward from 1982-83. These factors should have been more than enough to remove any remaining pressure on the 1982-83 budget and to enable the MOD to absorb the costs of the AFPRB award. The Chief Secretary has always made clear that the extra costs of the award, above the sums assumed in the present provision, could not be automatically added to the provision.

The Chief Secretary is therefore unwilling to agree to your Secretary of State's proposal to increase the defence cash limit at present, but will be prepared to consider the claim later, alongside any other factors relevant to the 1982-83 defence cash limit.

I am copying this letter to Michael Scholar and to David Wright.

Yours sincerely
Tony Mathews

T F MATHEWS
Private Secretary

CONFIDENTIAL

Yes, thank you

Prime Minister ② cc TV Defence

MCS 12/5

Did you see this?

MCS 17/5

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

MO 4/4

12th May 1982

Dear Peter,

ARMED FORCES PAY: CASH LIMITS

My Secretary of State has noted that the Prime Minister's announcement on pay of 6th May said that the financing of the increases for the Armed Forces would be considered further.

He has asked me to point out that he was not at Cabinet when this was discussed and that he is quite clear that his agreement to full implementation of the AFPRB recommendations was on the basis that the costs over and above existing provision would be met as an addition to the present MOD cash limit. Government policy is that the pay of members of the Armed Forces should be kept at levels comparable with those of their civilian counterparts. Having accepted AFPRB advice on what those levels should be, my Secretary of State presumes that the necessary additional cash will be provided, as it has been in previous years. If this is not agreed the costs of the award would have to be found from elsewhere in the defence programme, whether through further reductions in numbers or reductions in equipment and support.

My Secretary of State would therefore be glad to have the Chancellor's agreement to an increase of £34M in the defence cash limit for 1982/83 and corresponding increases in the PES years. The 1982/83 figure is the difference between the provision of 4% already made for pay increases and the estimated cost of the AFPRB recommendations; subsequent AFPRB recommendations on service doctors and dentists and London weighting, and the decisions on the TSRB report, will require further cash limit adjustments. He would like this to be announced as soon as possible so that there can be a firm basis for cash flow management within the MOD. However he would certainly not dissent if the Chancellor considered that Parliamentary authority for the additional provision should not be sought until later in the year, when account could be taken of other factors, notably the costs of the Falklands operation.

I am copying this to Michael Scholar and to David Wright.

Yours sincerely

Nick Evans

(N H R EVANS)

P S Jenkins Esq

CONFIDENTIAL

MT J 11/5
Defence

10 DOWNING STREET

THE PRIME MINISTER

12 May 1982

Dear Sir Harold,

I am sorry it was not possible to give you advance notice of my announcement in the House of Commons on 6 May of the Government's decision to accept in full the Review Body's recommendations for pay and charges for the Armed Forces.

I said then that the Government are extremely grateful to the members of the Review Bodies for the reports and for the time and care put into their preparation. I also expressed my gratitude for the long and valuable service which you have given during your time as Chairman. I was glad to be able to express publicly sentiments which are most sincerely felt. I should be grateful if you would convey my personal thanks to all members of the Review Body.

Yours sincerely,

MT

Sir Harold Atcherley

CIO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3 (Direct Dialling)
01-218 9000 (Switchboard)

MO 4/4

11th May 1982

Dear Michael,

AFPRB 1982 REPORT

It is usual for the Prime Minister to write to the Chairman of the AFPRB a day or so before an announcement in Parliament thanking him for his report and telling him of the Government's decisions on it.

This year it was not possible to follow this procedure, but the Prime Minister may nevertheless wish to follow up her statement in the House with a personal letter to Sir Harold. A draft is attached.

Yours ever

Nick Evans

(N H R EVANS)

Michael Scholar Esq

M type for PM

DRAFT LETTER FROM THE PRIME MINISTER TO SIR HAROLD ATCHERLEY

I am sorry it was not possible to give you advance notice of my announcement in the House of Commons on 6 May of the Government's decision to accept in full the Review Body's recommendations for pay and charges for the Armed Forces.

I said then that the Government are extremely grateful to the members of the Review Bodies for the reports and for the time and care put into their preparation. I also expressed my gratitude for the long and valuable service which you have given during your time as Chairman. I was glad to be able to express publicly sentiments which are most sincerely felt. I should be grateful if you would convey my personal thanks to all members of the Review Body.

Defence
3

10 DOWNING STREET

From the Private Secretary

27 April 1982

Armed Forces Pay
Doctors & Dentists Pay
TSRB

Dear John,

The Prime Minister held a meeting with Ministers this morning about a number of pay issues. The Home Secretary, the Lord Chancellor, the Chancellor of the Exchequer, the Secretaries of State for Education and Science, Defence Scotland, the Lord President, the Secretary of State for Social Services, the Lord Privy Seal, the Secretary of State for Employment, the Chief Whip, the Minister of State, Treasury, Mr. Hayhoe, Sir Robert Armstrong and Mr. John Sparrow were present.

The Chancellor of the Exchequer said that a number of pay issues required decisions. The award of the Civil Service Arbitration Tribunal (CSAT), which gave an average increase of 5.9%, and a range for individuals from 4.75% at the bottom of the scales to 6.25% at the top, was lower than had been feared and higher than had been hoped. In his judgment it was at about the limit of acceptability. He believed that it would involve an addition to the 4% cash limits, although he hoped colleagues would be able to absorb no less than 5% of the 5.9% within existing departmental cash limits by finding further administrative or manpower savings. The Armed Forces Review Body Report (AFPRB) recommended a range of increases which would add 6.1% to the estimated 1982/83 pay bill. He believed that these recommendations should be accepted. The Doctors and Dentists Review Body (DDRB) recommendations, which would add 6% to the pay bill, or 9% when the 3% deducted from the 1981 recommendations was taken into account, would if implemented in full create very considerable difficulties for the negotiations currently in progress with other National Health Service groups. The Top Salaries Review Body (TSRB), which recommended on average a 21.9% increase over current levels, also posed considerable problems. The most logical course was, perhaps, to accept all these recommendations; but this would make the National Health Service negotiations very difficult. If the DDRB recommendations were not fully accepted, there would be a strong case for a less than full acceptance of the TSRB recommendations. There were a number of options here: it would be possible to deduct 3% from the recommended increases, numerically in line with what was being done with the DDRB. An alternative approach would be to deduct 5% on the grounds that the TSRB recommendations were in part making good the 5% shortfall of the salaries awarded in 1981 as against the 1980 recommendations.

/Further

Further in the background were the issues of teachers' and police pay. English and Scottish primary and secondary teachers were now subject to arbitration. The English further education teachers' negotiations were probably now stalled awaiting the result of arbitration, but there seemed to be a case for conceding 5.5%, or even 5.9%, given that Scottish further education teachers had settled at an average of 5.5%, with Scottish local authority further education teachers receiving 5.9%.

In discussion there was general acceptance of the Chancellor's conclusions as regards the CSAT award. There was, too, a general disposition to accept in toto the recommendations of the AFPRB. The following points were made in discussion:

a) There were strong grounds for implementing the recommendations of the TSRB in full. This group, unlike other groups, had never had a full catching-up operation. Problems of recruitment and retention of people of the right calibre were beginning to make themselves felt, and it was of the highest importance to maintain the quality of those who held these posts. The levels of remuneration recommended by the TSRB were low in relation to the private sector. The public expenditure cost was of little importance in the decision. The differentials between these grades and the grades immediately below them had become excessively compressed. There would, certainly, be political difficulty in accepting the TSRB recommendations. There would not be very much less criticism if 3-5% were deducted from these recommendations; to avoid criticism it would be necessary to implement a very much smaller figure, and this was not a practicable option in 1982, bearing in mind the recent history. In any year it would be politically difficult to grasp this nettle; the time had come to do so.

b) Against this it was argued that acceptance of the TSRB recommendations would make the NHS pay negotiations very hard to handle. It would not be possible to justify offers in the 4-6.4% range to the NHS groups at the same time as 19.4% was offered to senior civil servants and service officers. Nor would it be possible to accept all the Review Body Reports except the DDRB. If the doctors and dentists were held at 6% there was some prospect of sticking successfully to the present NHS offer. To make this one-third reduction on the DDRB recommendations acceptable to the doctors and dentists it would be necessary similarly to cut the TSRB recommendations, by one-third or more. Alternatively, both the DDRB and TSRB recommendations could be accepted in full, but paid in two stages with an abatement of, respectively, 3% and, say, 5% this year.

c) There was arguably less scope in the NHS than in the Civil Service to squeeze a higher pay increase from a given cash limit. The NHS was a labour-intensive service, and

/the

the Government's policy, in successive public expenditure reviews, had been to budget for a real improvement in the NHS. Demographic trends also worked in the same direction.

d) Departments would not find it easy to absorb part of the cost of the CSAT award within their cash limits, as proposed by the Chancellor. There would be particular difficulties in relation to the prison service, and the defence programme, where the 4% cash limit pay factor was itself already under great pressure as a consequence of the Falkland Islands dispute.

e) On the other hand, the proposal to absorb only part of the CSAT award within existing cash limits would create difficulties with local authorities. The Government's stance with them was that no extra money was available to finance higher pay increases. Their argument would be that the Government was prepared to raid the contingency reserve to finance its own employees' pay increases.

f) With the Task Force at sea it would be unfortunate if there were any suspicion that the Government was holding back its response to the AFPRB recommendations. Ideally all these pay decisions would be announced together. But if this were not possible, there was a strong case for going ahead with the AFPRB in advance of the rest.

The Prime Minister said there were a number of principles to be followed in these matters. It was necessary for broad economic reasons to restrict the level of pay increases. There must, too, be justification for each of the Government's decisions on pay. It was essential that there should be effective management at the top in the public sector. The Prime Minister said that it was agreed that the award of the CSAT, and the recommendations of the AFPRB, should be accepted. The balance of opinion also firmly favoured a full acceptance of the recommendations of the TSRB and the DDRB. There was a good case for announcing all these decisions at the same time, and soon; if this was not possible it would be desirable to go ahead separately with the AFPRB and CSAT. It was recognised that these conclusions would cause very great difficulties with the NHS pay negotiations. The Chancellor of the Exchequer and the Secretary of State for Social Services were, therefore, asked to consider what changes might be necessary to the Government's stance in the NHS negotiations in the light of the meeting's conclusions generally. The results of this consideration together with the group's other conclusions should be put to Cabinet on Thursday 29 April. The Chancellor of the Exchequer should also discuss with the Home Secretary and Defence Secretary the problems which had been raised in relation to the effect of the CSAT award on existing cash limits for the prison service and the defence budget; the general presumption for Departments, however, should be that no less than 1% of the award should be absorbed within existing cash limits. As regards police pay, inter-departmental consideration of the official side report on the police pay system was necessary; when this was concluded she would be grateful if the Home Secretary would bring the matter to colleagues again.

/I am

I am sending copies of this letter to John Halliday (Home Office), Michael Collon (Lord Chancellor's Office), Imogen Wilde (Department of Education and Science), David Omand (Ministry of Defence), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office), David Clark (Department of Health and Social Security), Jim Buckley (Lord Privy Seal's Office), Barnaby Shaw (Department of Employment), Murdo Maclean (Chief Whip's Office), Adrian Carter (HM Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS). I would be grateful if you and they would give this letter the most limited possible circulation.

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
HM Treasury.

Defence 2

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

PRIME MINISTER

THE AFPRB REPORT

As you know we now have the three Review Body reports: that of the AFPRB recommending increases costing 6.1 per cent of the Services' wage bill; that of the DDRB recommending increases of 9 per cent (including 3 per cent "catch-up" from last year); and that of the TSRB recommending increases of 13 per cent for the senior Civil Service and senior officers of the Armed Forces and 20 per cent for the Judiciary over their 1980 recommendations. The increases in salaries currently in payment would of course be rather greater.

2. We had already agreed that the sensible thing to do with these reports and the award of the Civil Service Arbitration Tribunal would be to consider them together in the last week of April. But the Civil Service Arbitration Tribunal is sitting on Monday and possibly Tuesday of next week and hopes to come to a quick decision thereafter. In this situation an argument could be mounted for dealing with the AFPRB report quickly so that our decision could be published in time to influence the Tribunal's findings. For the same reason of course publication of the other reports would have to be held back.

3. There is a prize to be had in possibly exercising a moderating influence on the CSAT. But the device would be transparent and we would be open to criticism as seeking unfairly to influence the Tribunal. We would also no doubt come under pressure for the early publication of the other two reports. And it might in any case be felt inappropriate to

publish a relatively low pay award for the Armed Forces - which would increase charges for food and accommodation with in some cases reduced take-home pay - at a time when they may be just about to go into action in the South Atlantic.

4. If we were to decide to publish on Monday or Tuesday we would need a very early decision if printing (or the production of an adequate number of roneoed copies for the House and the press) were to be completed in time.

5. My own view, on balance, is that we should not rush into early and separate decisions on the AFPRB report.

6. I am copying this letter to John Nott, Norman Tebbit and Robert Armstrong.

G.H.

16 April 1982

SECRET

cc JV

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930 7022~~ 218 2111/3

MO 4/4

16th April 1982

Dear Michael,

THE AFPRB REPORT

We spoke on the telephone about the Chancellor's minute to the Prime Minister of the 16th April. I have now consulted the Secretary of State and I can confirm that he would not wish the publication of the AFPRB report to be rushed through in order to influence the Civil Service Arbitration Tribunal's deliberations. Such a manoeuvre would be extremely badly received by the Armed Forces at a time when, as the Chancellor points out, our task force is sailing towards the Falkland Islands.

I am copying this to Barnaby Shaw (Dept of Employment) and David Wright (Cabinet Office)

Yours ever,

Nick Evans.

(N H R EVANS)

M C Scholar Esq

SECRET

CONFIDENTIAL

file DS
Defence

10 DOWNING STREET

From the Private Secretary

13 April 1982

Armed Forces Pay Review Body

I enclose two copies of the Review Body's latest Report. I should be grateful if you, and those to whom I am copying this letter, would ensure that no further copies of the Report are made at this stage, and that for the time being the Report is shown to no-one except the copy addressees of this letter and their Ministers.

When we receive Press enquiries as to whether this Report has been received by the Prime Minister, we intend to confirm its receipt, and to say that, as in the past, its contents will not be disclosed until the Government has reached a decision on these matters.

I am copying this letter to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment) and David Wright (Cabinet Office). Copies are also going to Peter le Cheminant (HM Treasury) and Peter Gregson (Cabinet Office).

MICHAEL SCHOLAR

David Omand, Esq.,
Ministry of Defence.

CONFIDENTIAL

file DS9

bc JV

10 DOWNING STREET

From the Private Secretary

13 April 1982

Dear John

ARMED FORCES PAY SYSTEM

The Prime Minister has seen the Chancellor's minute of 6 April on the above subject.

She has concluded that this is not an appropriate time for a decision on this topic, given the situation over the Falkland Islands. She will be ready to consider it further as soon as the current situation has calmed down, and she would be grateful if the Chancellor would then resubmit the matter to her.

I am sending copies of this letter to John Halliday (Home Office), David Omand (Ministry of Defence), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours ever

Mike Pattison

John Kerr, Esq.,
HM Treasury.

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

8 April 1982

Dear Prime Minister,

REVIEW BODY ON ARMED FORCES PAY

I enclose the Review Body's Eleventh Report, which contains our recommendations on the levels of military salaries, and of food and accommodation charges, that we consider appropriate at 1 April 1982 for members of the armed forces. As usual, we will make recommendations on the pay of medical and dental officers at a later stage, when decisions on the remuneration of general medical practitioners in the National Health Service are known.

Yours sincerely,

Harold Atcherley

HAROLD ATCHERLEY, CHAIRMAN
REVIEW BODY ON ARMED FORCES PAY

E.R.

CONFIDENTIAL

Prime Minister

(1)

May I give this Report a similar very restricted circulation as we have given the TSRB?

Yes

TLS 8/4

MR. SCHOLAR

AFPRB REPORT

I have had a quick look at this Report. At first sight much of it is helpful: the 6.1% overall increase on the estimated paybill is less than many of us had expected; the references in paragraph 118 to recruitment and retention, to the general economic background and to security of employment are helpful in the wider pay context; and the range of recommended military salaries - 4.5% - 8.9% for Officers, 5.6% - 7.0% for NCO's, and 4.0% - 5.8% for other ranks - reflects many of the principles that lay behind our disaggregate offer to the Civil Service. It seems very probable that the AFPRB has been influenced both by that offer, and, more particularly, by their being aware of the work going on at official level in the interpretation of the commitment to Armed Forces pay.

Nonetheless, it would be dangerous to assume too readily that the Report as a whole is all good news. Certainly, if the Civil Service arbitrator recommends substantially more than 6.1% overall, the AFPRB Report strengthens the case for overriding the arbitration award. Equally, if the Civil Service arbitration award is in the 6 - 7% range, and the Government decided to accept it, the AFPRB Report makes it more likely that such an outcome is acceptable to the Civil Service. And on its face value the 6.1% figure will have a helpful effect on the pay round as a whole because it is less than the going rate and less than the figure on which many groups who have still to settle are setting their sights. But there are two drawbacks: first, it is of course substantially more than the 4% on which we are resting our case for the Civil Service and the bulk of the NHS, and more still than we have offered to the teachers; and second, the Civil Service Unions will undoubtedly lose no time in pointing out that the 6.1% is on top of full implementation of the 10.3% AFPRB recommendation last year. They will say that the AFPRB Report therefore justifies about 9% for the Civil Service, since the Civil Servants got 3% less than the Armed Services last year.

/ So I am sure

CONFIDENTIAL

So I am sure that it would be wrong to jump the gun and either publish or accept the recommendations of this Report, until we have to take all the other public service pay decisions after Easter. Apart from anything else, if we were to publish this one, we should certainly have to publish the TSRB and DDRB - we know the former is unhelpful and the latter is very likely to be as well. But the Treasury will want to consider carefully the balance of advantage in view of the forthcoming arbitration, and I hope the Prime Minister will agree to early circulation of this Report, at least as far as the Treasury.

J.M.M. Vereker
8 April 1982

(1)

Prime Minister

Do you endorse the conclusions of E(PSP) – please see the Chancellor's minute (attached)?

MCS 8/4

CONFIDENTIAL

We just can't do this time

PRIME MINISTER

c.c. Mr. Hoskyns

Armed Forces Pay System

In his note of 6 April, the Chancellor reports the conclusions of the Ministerial Committee on Pay on the recommendations of the official group, in which I participated, which looked at the scope for modifying the Government's commitment on Armed Forces pay.

Neither the official group, nor the Ministerial Committee, is suggesting that the Government go back in any way on its commitment to keep servicemen's pay up to full comparability with civilian counter-parts. But in the face of continuing criticism by other groups of workers that the Government's approach to pay, based on market factors and affordability, is not applied equally across the board, the group looked at ways of - as the Chancellor puts it - elaborating, rather than retreating from, the commitment. The recommendation, which the Ministeial Committee has now endorsed, that Government evidence in future concentrate more on affordability and market factors, and that this change of emphasis be made known publicly, offers the best chance of minimising the effect on the pay round as a whole of special treatment for the Armed Forces.

Mr. Nott argued in the Ministerial Committee against making the change of emphasis publicly known, but he has now accepted the view widely held by others that only if the change is publicised will it have the necessary effect; and I understand that he is not disposed to put in a dissenting note to you.

Clearly, this is a most unsuitable moment for any public announcement. But what is proposed would not become known until next autumn anyway, at the beginning of the pay round, and when the Armed Forces Pay Review Body starts its work. Therefore I strongly

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/ recommend

recommend you endorse the conclusions of the Ministerial Committee, both as to the announcement next autumn of the change of emphasis, and as to the need to specify it in the letters of appointment to new members of the AFPRB.

7 April, 1982.

CONFIDENTIAL

cc. JV

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

PRIME MINISTER

THE ARMED FORCES' PAY SYSTEM

You may recall that at its meeting on 27 October 1981 (E(PSP)(81)5th meeting, item 3) the Ministerial Sub-Committee on Public Service Pay (E(PSP)) discussed the handling of the 1982 Review Bodies' reports and concluded inter alia that officials should consider the scope for modifying the Government's commitment to the full comparability for Armed Forces' pay. This commitment was contained in our election manifesto which said:

> "[The Government will] bring [Servicemen's] pay up to full comparability with their civilian counterparts immediately and keep it there."

It has been honoured since we took office by implementing in full the various reports of the Armed Forces Pay Review Body (AFPRB).

2. At its meeting last Thursday (E(PSP)(82) 2nd meeting, item 1) the Sub-Committee considered the report which had been prepared by officials on this question. There was general agreement that radical changes would be inappropriate, particularly since they could not now take effect until the next pay round. But the Sub-Committee recognised that continued success in holding down increases in pay, particularly in the public services, could lead to a growing disparity between the generality of public sector pay settlements and

those awarded to the Armed Forces and also to the police. These two settlements might set high targets at which negotiators for other public sector groups would increasingly tend to aim. Although special treatment on pay for the Armed Forces and the police could be justified to some extent because of the special nature of their work and because they were precluded from striking, other groups, such as the nurses, would tend to argue that, if they refrained from striking, their pay should be set in a similar way.

3. The Sub-Committee therefore concluded that the Government should in future submit more evidence on the wider economic factors and on the recruitment and retention position in the Armed Forces, and that the members of the AFPRB should be asked to give greater weight to these considerations. We also concluded that this change of emphasis should be made known publicly, as an elaboration of, rather than a retreat from, the Government's commitment on armed services pay. We agreed that the best approach might be for the Secretary of State for Defence to make a low-key announcement in the form of a written Parliamentary Question at the time (next autumn) when the Government would be submitting general evidence to the AFPRB for its 1983 report.

4. Finally, as you will be aware, a replacement is already being sought for one member of the AFPRB and four others, including the Chairman, are due to retire during the course of this year. The Sub-Committee felt that it would be important in making these appointments to consider candidates who could be expected, in assessing evidence and in reaching judgement on Armed Forces' pay, to give proper weight to the state of the economy and to the recruitment and retention position in the Armed Forces, and that the need to do so should be made explicitly clear to them on appointment. No doubt the Secretary of State for Defence will bear this point in mind in making recommendations to you about these appointments.

A

5. I am sending a copy of this minute to the members of E(PSP), to the Home Secretary and the Secretary of State for Defence and to Sir Robert Armstrong and Mr Sparrow.

(G.H.)

6 April 1982

Prime Minister

The Chancellor still wants an OD discussion.

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

25 March 1982

N. Evans, Esq.,
Private Secretary,
Ministry of Defence

Dear Nick,

GERMANY: LOCAL OVERSEAS ALLOWANCE

Following Michael Scholar's letter of 22 March the way is now clear for your Secretary of State to implement the first stage of reductions in LOA in Germany from 1 April. However the Chancellor's acceptance of the implementation of the first stage was without prejudice to agreement either on the final amounts, or on phasing, or on the treatment of new arrivals (the Chancellor sees no reason why servicemen who are starting on a new tour in Germansy should be overcompensated for the present extra cost of living by being allowed to receive LOA based on the old rates).

The Chancellor would not press for these matters to be finally settled before 1 April, but he thinks they do need further consideration in OD in the light of the points made in paragraph 2 of his minute of 19 March, and with a view to the completion of this review in the autumn as your Secretary of State proposed. In the meantime he thinks the changes from 1 April, giving phased reductions of £17 million in the first year, should be announced in a way which does not prejudice the outcome of that consideration.

Copies to Private Secretaries of the Prime Minister and other members of OD and to Sir Robert Armstrong.

Yours ever
Peter

P.S. JENKINS

Mrs Clyde to see

CONFIDENTIAL

cc Mr. Vereker

PA.

(1)

Prime Minister

You saw these papers yesterday, but I am not sure whether you wish me to write as John Vereker suggests. Alan now supports.

Agree I write as at X in JV's note?

MCS 25/3

No

MT

MR. SCHOLAR

ARMED SERVICES' PAY

1. I have seen John Vereker's note about the official report and the way John Nott has reacted to it. John Nott seems very wary of making any changes in the present arrangements. He does say, however, that he would "not object to the adoption of a different emphasis of the AFPRB's deliberations". But he would not wish to draw attention to it publicly.

2. For my part I agree with John Vereker that it would be best to proceed on the basis of para 26(ii) - a public announcement of the change of emphasis. This indeed could be construed as an elaboration of the commitment which the Government made on comparability. We should ask the AFPRB, however, to give great weight to the retention and recruitment criteria. This could be represented as similar to those criteria which we accept as relevant in settling Civil Service pay.

3. I do not see the Secretary of State's objection to a formal statement that these criteria should be the main ones in the AFPRB's deliberations. In particular this would be very important in rearranging relativities so that on the one hand we can recruit adequately the skills that are needed, and on the other, we do not create the problem of invidious choice among an excess supply of applicants.

4. The Secretary of State seems to fear in para 5 of his memorandum, that such a statement might cause alarm and despondency and risk an "increasingly dangerous manpower situation". But by definition it would not. The criterion of recruitment and retention would be decided in terms of an appropriate manpower situation.

25 March 1982

ALAN WALTERS

CONFIDENTIAL

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Prime Minister (1)

Please see Mr Nott's paper (~~attached~~ in earlier box with you).

Do you wish me to write as at x?

MCS 24/3

MR. SCHOLAR

cc Mr. Hoskyns

Armed Service Pay

The Prime Minister should see the report by the official group (in which I participated) which looked at the scope for modifying the commitment on comparability for the armed services, together with Mr. Nott's covering note for E(PSP) which will discuss it on 1 April.

The Prime Minister will see that the official group concluded (paragraphs 15-26) that, without in any way breaking the Government's commitment, it should be possible to ensure that the AFPRB gave greater weight to broader considerations than pure comparability; and that this could be given effect either by some form of public announcement - a letter to the Chairman, or a statement in the House - or by formal amendment of the AFPRB's terms of reference.

But Mr. Nott, having consulted the Chiefs of Staff, resists this; and is not even prepared to go as far as a public announcement. I do not find his arguments in paragraph 4 of his note convincing. No system of comparability can be "well constructed": we have made enormous play in other contexts of the inherent weakness of such a system. There is plenty of evidence that the armed services are not only well paid, but much better paid than they need to be. The proportion of our defence budget spent on pay proves nothing, save for the fact that we spend a lot on hardware.

Armed forces pay, like police pay, is at present determined in a way which runs totally counter to the Government's approach to pay elsewhere in the public services, and has adverse repercussive effects. It is important not only to make a greater effort to influence the AFPRB to take account of non-comparability factors, but also to make it clear publicly both to them and to pay bargainers outside the armed services that this is what we expect them to do. If the Prime Minister agrees, therefore, I think you could write to the Chancellor's Private Secretary saying that she is not entirely convinced by Mr. Nott's arguments against the recommendations of

CONFIDENTIAL

the official group, and would like to be consulted after E(PSP) has discussed the paper.

24 March 1982

CONFIDENTIAL

Defence & J.V.

Mr Coles AR 25/3

Oh dear

MCS 25/3

Foreign and Commonwealth Office

London SW1A 2AH

24 March 1982

Dear Michael,

Local Overseas Allowance (LOA)

Lord Carrington has seen the exchange of minutes begun by the Secretary of State for Defence on 15 March, which is of particular interest to us because of the repercussions which phasing of LOA might have on its Civil Service equivalent the Foreign Service Allowance (FSA)(as you know a special FSA inspection is currently being conducted in Germany, precisely in order to make the LOA cuts more palatable to the Services). He did not think it necessary to weigh-in in writing before the expected meeting of OD; and, given the tight timetable, he is content with the decision recorded in your letter of 22 March.

I shall be grateful if you and the other recipients of this letter will continue to bear in mind our interest in any proposed changes in the level or application of LOA.

I am sending copies of this letter to David Omand (MOD), John Kerr (HM Treasury) and David Wright (Cabinet Office).

Yours ever,

(B J P Fall)
Private Secretary

M C Scholar Esq
10 Downing Street

CONFIDENTIAL

CONFIDENTIAL

FILE Defence SW.

bcc: J. Vereker

10 DOWNING STREET

From the Private Secretary

22 March, 1982

Dear Nick,

Germany: Local Overseas Allowance

Many thanks for your letter of 22 March to which was attached a factual note on local overseas allowance (LOA).

I have shown your letter and its attachment to the Prime Minister. She now no longer wishes to defer a decision on this matter until the mooted OD discussion, and has agreed that your Secretary of State may go ahead as he proposed in paragraph 6 of his minute to the Chancellor of the Exchequer of 15 March. As I explained to you on the telephone this morning, the Prime Minister is not now herself proposing an OD discussion of this matter; nor, on the other hand, is she ruling one out, if your Secretary of State or any other OD colleague desires one.

I am sending copies of this letter to the private secretaries of the other members of OD, and to David Wright.

Yours sincerely,

Michael Scholar

N. H. R. Evans, Esq.,
Ministry of Defence

CONFIDENTIAL

889

10 DOWNING STREET

(1)

Prime Minister

Germany: Local Overseas Allowances

You asked for a paper on how these allowances work.

I attach same.

Do you

(i) still wish to defer a decision until after an OD discussion?

OR

(ii) now agree with Mr Nott and the Chancellor? Yes MT.

MCS 22/3

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-930 7822 218 2111/3

MO 3/9

22nd March 1982

Dear Michael,

GERMANY: LOCAL OVERSEAS ALLOWANCE

I attach a factual note on local overseas allowance (LOA) on the lines which you suggested might be helpful to the Prime Minister. You thought she might wish to have such a note in front of her when considering the proposed discussion in OD and the possibility of announcing before that a reduction in present LOA rates from 1 April. It has been shown to the Treasury who are content with it.

So far as this last possibility is concerned, it might be useful to set out briefly the options which we have. They are:

a. to announce with effect from 1 April the £17M package proposed in my Secretary of State's minute of 15th March to the Chancellor of the Exchequer;

b. to announce a 10% cut in rates from 1 April without specifying what other cuts, if any, might follow; or

c. to cut LOA rates by 10% from 1 April, announcing it as the outcome of the November 1981 LOA review; any further changes in LOA would then be dependent on the review proposed for the autumn of 1982.

There is of course the further option of doing nothing on 1 April. As I have explained over the telephone, the main arguments against this are that Servicemen in Germany are expecting a change then, and postponement for one month of a 10% cut in LOA rates in Germany costs £1 million.

The effective choice is between options a. or c., or doing nothing. Option b. would be very damaging both managerially and politically. Servicemen in Germany would be left in complete uncertainty about their future entitlement to LOA, a situation which would be bound to lead to criticism in the Press and in

M C Scholar Esq

Parliament. As to option a. my Secretary of State who, as you know, is en route to the meeting of the NATO Nuclear Planning Group in Colorado Springs, has said that he would be quite content for colleagues to agree to a 10% cut on 1 April in his absence. But he has indicated that he would want to be consulted again if anything specific is to be said about further cuts later in the year. Option c., while easier managerially and politically, could be even more expensive than simple deferment of the £17M package until 1 May, subject to whatever may be the outcome of the discussion in OD now planned for 1 April. One way or another, we ought to tell BFG tomorrow whether or not there is to be any change in LOA rates at the end of this month.

I am copying this to the Private Secretaries of the other members of OD, and to David Wright.

Yours sincerely

Nick Evans

(N H R EVANS)

LOCAL OVERSEAS ALLOWANCE (LOA)

The purpose of LOA

1. LOA is a tax-free allowance paid to members of the Armed Forces in addition to their pay to compensate for the essential extra costs of living abroad. It is assessed separately for each overseas theatre by a system designed to measure the extent to which current living costs in that theatre exceed comparable costs in the United Kingdom. The system of assessment was introduced in 1979 by the present Government, replacing a previous system which on the whole was less favourable to Servicemen.

The assessment of LOA

2. The calculations are made in detail at four reference points (Captain and Corporal, single and married). With the aid of statistical survey, UK budgets are drawn up for these ranks showing their detailed expenditure at current UK prices over a range of some thirty items of personal and household expenditure. Overseas prices and conditions are examined by review teams on which the three Services are represented together with MOD and Treasury officials. They draw up overseas budgets after consultation with the theatre commanders. The overseas budgets are based on the projection abroad of the standards of living permitted in the UK by Service pay with such adjustment as is necessary to reflect local conditions. The difference between the home and overseas budget costings becomes LOA. The system provides for full reviews of prices and standards every three years and for annual updating for price changes alone in the intervening years.

3. Reviews and updatings of the allowance were suspended by MOD Ministers in 1980 pending reappraisal of the assessment system. This reappraisal was carried out jointly by the MOD and the Treasury during 1981. It did not alter the principles of the system but it provided up to date reference data for the UK and recommended

/improved

improved working methods for determining the overseas prices and standards to be reflected in overseas budgets. The guidelines emerging from this reappraisal are attached at Annex A.

The Germany review

4. The review for Germany was one of the first undertaken using the new guidelines and some difficulty has been experienced in reaching an agreed position on the extent to which UK living standards require adjustment to meet local conditions in Germany. The review has however clearly shown that the present rates of LOA there should be substantially reduced and that the existing LOA is tilted too far in favour of married servicemen. The reasons are:

a UK domestic inflation has remained ahead of that in Germany. In consequence the extra costs faced by servicemen in Germany have decreased.

b The new working methods have enabled a better determination to be made of comparable overseas prices and of local factors affecting the standards of living of servicemen there.

5. The MOD recognises that further work will be required to produce a fully agreed outcome. The area of disagreement ranges between positions that would achieve savings of £m24 and £m48 in a full year on the present LOA bill for Germany of £m115. The MOD has proposed that for management reasons reductions should be limited to 10% across the board from 1 April 1982 followed by further staged reductions for married personnel to produce an overall saving of £m17 in 1982/83. This would leave final resolution of appropriate overseas standards for Germany to be settled in the course of the next updating due in Autumn 1982.

/6.

6. It was recognised that personnel may well be entering into new financial commitments on the basis of the present level of their overseas income. Arrangements were therefore made in February to issue an early warning of reduction of LOA from 1 April 1982.

Exchange rates

7. Local currency is issued to Servicemen in Germany at fixed rates of exchange (the Forces Fixed Rate - FFR) which are established by the MOD for this purpose in line with the commercial rates of exchange obtaining at the time of LOA assessment. Because this is a fixed rate they are protected from day to day changes in their local currency income due to the effect of exchange fluctuations. But if there is any significant movement of the commercial rate of exchange away from the FFR in between normal LOA updatings the FFR may be realigned. Such realignment is however accompanied by a compensating automatic adjustment of LOA to produce on average the same local currency income as before. In other words, once the average Serviceman's local currency income necessary to maintain the agreed standard of living has been established by an LOA review, FFR and LOA rates together maintain that local income despite changes in commercial exchange rates.

GUIDELINES FOR THE ASSESSMENT OF LOA

1. LOA represents the essential extra costs of living abroad, it is not in whole or in part an inducement for service abroad, or a reward for service in adverse conditions.

2. LOA should be assessed on the basis of a projection abroad of UK standards of living, except in those respects where lifestyle either necessarily or reasonably reflects local conditions or practice according to the application of the factors set out at paragraph 7 below.

3. Each area is to be judged separately on its merits and by appropriate reference to the UK budget and standards; not by reference to standards for other areas. However, where areas are similarly influenced by the factors set out at paragraph 7, some consistency in overseas standards would be expected.

4. The basic expenditure pattern of the UK budget is to be updated at the start of each new review cycle.

5. Local standards for the principal budget items are to be assessed against the yardstick of UK reference standards, which are themselves to be reviewed at the start of each new review cycle.

6. The expenditure allocation of the UK budget us to be updated annually to reflect movements to Service pay.

7. Local standards should be assessed, and variations from the UK reference standards justified, according to the influence on overseas Service lifestyles of the following factors:

a. Geography and climate, including the effects of (or on):

i. Remoteness of accommodation or workplace

ii. Inhospitable or dangerous terrain

iii. Geographical confinement

iv. Working and living conditions

v. Domestic and social life, including sporting activity, dress etc.

b. Economic factors, such as:

i. the relative cost and ease of availability of certain goods and services. Where reasonable local alternatives to the UK standard product are judged to exist, these should generally be regarded as suitable substitutes unless there are sustainable reasons for not doing so - eg. effect on morale;

ii. availability of service facilities, eg. NAAFI, sports and clubs, leave schemes, etc.

c. Obligatory requirements of local laws and regulations.

d. Local social and cultural practice.

e. The effects of living or working in an international Armed Service environment, eg in day to day co-operation with other NATO of foreign Service personnel.

f. Length of tour.

8. The rates of LOA at each marker point will be the difference between the assessed total overseas expenditure and available pay. It should not be an over-riding requirement that Officers are paid more LOA than Other Ranks. In no case however, should the total overseas income (available pay + LOA) at the officer marker points be lower than for marker Other Ranks.

9. LOA should be reviewed on site not less than every 3 years, at which time adjustment of standards will also be considered, and updated at least annually in respect of relative price movements.

file

cc: MOD Defence DSG
HMT.
hc: J. Vereker

10 DOWNING STREET

THE PRIME MINISTER

22 March 1982

Dear Sir Harold.

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.

Yours sincerely

Margaret Thatcher

Sir Harold Atcherley.

Prime Minister

(1)

Defence tell me that the troops were warned several months ago about the impending LOA reduction (you were concerned about the shortness of notice), and that - although they will object - it will come as no surprise to them.

As you requested, we have tentatively arranged a discussion at OD on 1 April, subject to your agreement. But Defence say any postponement (after Mon 22 March) will cost them £1m.

Agree to postpone decision? [redacted]

Or do you agree, in the light of this, to go along with Mr Nott and the Chancellor?

MCS19/3

Perhaps you would like to have a paper for the whole ~~Cabinet~~ meeting.

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

SECRETARY OF STATE FOR DEFENCE

GERMANY : LOCAL OVERSEAS ALLOWANCES

Thank you for your minute of 15 March.

2. I am concerned about this matter. I recognise the political and managerial implications of implementing reductions in local overseas allowances in Germany. But these are problems which need to be looked at against a number of other factors: the over-reimbursement of servicemen in Germany for some time now; the fact that most of the MOD people who took part in the review share the Treasury view that reductions in LOA in Germany can be justified which would produce savings of £48 million a year, rather than the £24 million you propose; the problem of containing the 1982-83 defence programme within agreed provision (your memorandum OD(82)2 refers); the assumption in defence estimates provision of £24 million savings on LOA in 1982-83; the equity and credibility of the LOA system worldwide; the imminence of the 1982 armed forces pay award; and the need for the Treasury to be satisfied that any new LOA rates should be certified as tax-free.

3. These are complex issues that require further consideration, and I look forward to the opportunity of an early Ministerial discussion. However I should be sorry if this leads to further delay in the first stage of implementation of the LOA review; for my own part I should have welcomed an effective date, as you suggested, of 1 April, especially if

this is what is now expected by the troops concerned.

4. I have noted the Prime Minister's question about the relevant exchange rates. My understanding is that the LOA standards are priced in local currency, so that full account is taken of the exchange rate in calculating the rates of LOA. And I am told that adjustments are made to LOA rates when the Fixed Forces Rate of Exchange changes.

5. Copies of this minute go to the Prime Minister, to other Members of OD, and to Sir Robert Armstrong.

G.H.

19 March 1982

CONFIDENTIAL

cc Mr. Hoskyns

MR. SCHOLAR

Defence

Armed Forces' pay

I think you should be aware of the way in which the Report of the Official Group who looked at the Government's commitment on armed forces' pay is likely to be handled. The Group completed its work in the middle of February, and its Report has now been seen by Mr. Nott. Mr. Nott will be discussing the recommendations with the Defence Chiefs tomorrow afternoon, and will then circulate it to his colleagues in the Ministerial Group on Pay, with a covering recommendation. I understand that the recommendation is likely to endorse the milder of the Group's conclusions - that the Government might announce that in future they will introduce more evidence to the AFPRB, particularly bearing on economic and manpower considerations, and request them publicly to give greater weight to these - but will reject the possibility of some formal amendment to the AFPRB's terms of reference. After discussion in E(PSP), the Chancellor would make a recommendation to the Prime Minister.

This timetable is acceptable; but we need to keep an eye on it to ensure that there is no delay. I think Ministers ought to consider this before they receive the recommendations of this year's AFPRB, so that they have some idea how armed forces' pay is likely to be treated in the future. And I would be opposed to any suggestion that the whole thing be put on ice until Megaw has reported, because that would simply mean that next year's AFPRB would be on the same basis as this: it is going to take a long time to apply Megaw elsewhere in the public services.

John Vereker

17 March 1982

CONFIDENTIAL

CONFIDENTIAL

File

UB

10 DOWNING STREET

OD
LCO DTde
HMT FCO
CDL MOD
LPO
HO
LPS

From the Private Secretary

16 March 1982

Dear David,

Germany: Local Overseas Allowance

The Prime Minister has seen your Secretary of State's minute of 15 March to the Chancellor of the Exchequer. As I told your office this morning, the Prime Minister considers it undesirable to take the proposed action to reduce rates of local overseas allowance from 1 April. She believes that those affected must have much more notice than would now be possible. She has also asked for more detail about the relevant exchange rates - she is inclined to doubt whether exchange rates will remain at their present levels. Finally, Mrs Thatcher has commented that a Ministerial discussion of this issue seems desirable.

I am copying this letter to the Private Secretaries to members of OD and to Sir Robert Armstrong.

Yours ever

John Coles.

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

CONFIDENTIAL

Sup

(1)

Prime Minister

Content with proposal in para. 6, subject to the views of OD colleagues?

You can't do anything on 1st April, it is much too late. People need longer warning of such reductions. A.J.C. 15/3

But what are the relevant exchange rates? I do not think they will stay the same as now. We must discuss this

MO 4/4

CHANCELLOR OF THE EXCHEQUER

GERMANY: LOCAL OVERSEAS ALLOWANCE

Our officials have been in touch about the local overseas allowance (LOA) paid to Servicemen in Germany. Briefly, a review has disclosed that there should be a reduction in LOA, but there is no agreement between our Departments about what should be done.

2. The decision raises issues of great political delicacy. Any reduction in LOA must involve cutting the take-home pay of Servicemen in Germany when their cost of living there is still increasing, albeit less rapidly than in the UK. Moreover, this comes at a time when we are being criticised for cutting our expenditure on conventional forces. If LOA comes down, we can be sure that the Press will present it as a first contribution towards the cost of Trident - the 'Sun' has already launched a campaign to tell us "don't cut their cash" (copies of recent articles attached). Hitherto our policy on Armed Forces' pay has been a source of political strength.

3. Nevertheless, the evidence from the review was such that a cut is clearly justified, and I recognise that the LOA system can and should embrace both increases and decreases as the extra expenses which it is designed to cover vary over time. I therefore propose to reduce LOA in Germany, but the decision will have to be very carefully handled, not least in relation to the Foreign

Service Allowance (FSA) which is paid to the UK-based civil servants who work alongside our Servicemen in Germany.

4. It is inevitable that there will be comparisons between the ways in which we treat the two allowances - although I realise that, in theory, the two are quite distinct. Unlike Servicemen the civil servants are represented by Trade Unions, and this is another reason why we cannot afford to appear to treat Servicemen more harshly. I understand that a special review of FSA is in hand and may eventually lead to cuts. I am sure that to some extent the cut in LOA must be conditional on what is to happen to FSA, since both allowances purport to compensate for the extra cost of living abroad.

5. I am satisfied that we should aim for reductions in LOA totalling £24m. in a full year, to be accompanied by a further review of standards in Germany in the autumn of 1982. But a cut of this magnitude - which would for historic reasons be loaded towards married Servicemen - would be too onerous to impose in one step - and I agree with the C in C's in Germany that there is a limit to how far and fast a good employer can go, particularly with our employees who are unrepresented by the Trades Unions. For example, the typical married sergeant would face a loss of just over £14 a week (or nearly 8%) from his after-tax take home pay of around £182, while a married corporal receiving about £148 a week would also lose nearly £14, in his case over 9% of his net income. OD colleagues, to whom I am copying this, may have views about the political sense of cutting the net incomes of our Servicemen in this sort of way. For my part I think we should meet the problem by staging the cuts applied to married Servicemen in such a way as to limit the total reduction in the first year, 1982-83, to £17m.

6. The pattern of reductions which I propose is as follows. Rates of LOA will be reduced by 10% across the board from 1 April.

Too soon. They must have more notice

This would lead to a reduction of about £4 p.w. in the weekly take home pay of the married corporal. Thereafter rates paid to married Servicemen will be further reduced on 1 October, leaving a residual reduction for married other ranks to be made on 1 January 1983. I have also considered the possibility of applying this staging only to those already in Germany, with new arrivals going to the new, lower, rates at once. But I do not think that this kind of discrimination is sensible man management; and I am sure that it will only be possible to proceed with the later stages if FSA is reduced at least pro rata. Only this way can we protect ourselves from the very damaging charge that we have singled out the Servicemen for harsh treatment.

7 The troops in Germany have already been warned to expect a reduction in LOA from 1 April - hence the Press campaign. I think it is important for both managerial and political reasons to stick to this date if we possibly can, which leaves us very little time for decisions. Germany ought to be informed of the new rates of LOA in the next few days. So I should be grateful for your very early concurrence in what I am proposing, preferably by close of play on 17 March.

8 I am copying this minute to OD colleagues and to Sir Robert Armstrong.

S.N.

Ministry of Defence
15th March 1982

THE SUN

RHINE TROOPS IN A FURY OVER PLAN TO CUT PAY

BRITISH servicemen were fighting mad last night . . . after being warned to get set for a pay CUT.

There were angry scenes in the Naafis and messes of West Germany as the news was broken to the troops by commanding officers.

They told 65,000 Army and RAF staff to tighten their belts and prepare to lose up to a quarter of their special overseas allowance.

The men have been getting up to £7.96 a day to compensate for the higher cost of living in Germany.

But Ministers say that high inflation in Britain and the strength of the pound, have reduced the price gap between the two countries.

A sergeant in Munich said last night: "It's a bloody disgrace. We lose our overseas allowance when we go to Belfast because its a home posting . . . now this.

"The cost of living is much higher than in Britain.

"If Mrs Thatcher thinks otherwise she can come over here and go out with my wife for the weekly groceries."

He added: "A lot of friends are absolutely cheesed off. We're supposed to be the frontline force against the Russians and they treat us like paupers. Its a pity we can't strike."

A major's wife, just back from Berlin after a two years posting, said: "In German shops everything is much more expensive, especially clothes.

Amount

"It's hard enough leaving your home in England to go abroad but this will make it very difficult indeed to make ends meet."

Payment of the allowance cost the Defence Ministry £92million last year.

THE SUN SAYS

A 25 per cent cut would save the Government £23 million this year . . . about the same amount that Treasury Ministers are accused of losing over the sale of the State-owned Amersham International company.

Servicemen often use the allowance to save up to buy cars, fridges and other luxury goods.

The size of the cuts has yet to be confirmed.

But news of them was reached in orders to the Rhine Army's General Officer Commanding, General Sir Michael Gow and the RAF's Air Officer Commanding, Air Marshall Sir Thomas Kennedy.

LY TELEGRAPH

BAOR WARNED OF CUTS IN ALLOWANCES

2/1

By Our Defence Correspondent

British Servicemen in Germany have been warned that reductions in their rates of Local Overseas Allowance are inevitable from April 1. They have been advised in unit and station orders to review their spending "with the object of preparing to make economies where possible."

The tax-free allowance is paid to all ranks on a sliding scale to try to ensure the standard of living of the Serviceman and his family is maintained wherever they are stationed.

The main reason for yesterday's warning is that the rate of domestic inflation in Britain remains ahead of that in West Germany, affecting the justification for special overseas payments.

THE TIMES

SOLDIERS FACE PAY CUT'

2\2

By Our Defence Correspondent

Soldiers in the British Army of the Rhine and West Berlin have been warned to brace themselves for what will be seen as a pay cut. From April 1 their local overseas allowances (LOAs) will be cut.

The figure has not been decided, but it is understood the reduction could be greater than 25 per cent.

The allowances, which were high for many years, were cut substantially in 1975 as the gap between the cost of living in the two countries narrowed.

In 1977, when a cut of between 30 and 40 per cent was thought justified, the ministry was so afraid of provoking discontent among troops already unhappy at their pay rise that it decided as they were. The proposed reductions could have meant a 15 per cent drop in the net pay of many servicemen.

Whitehall officials are acutely embarrassed by this latest round of cuts in what most of the 65,000 servicemen and women in West Germany regard as one of the prime prerequisites of living abroad.

Those already serving there have been advised to "review their spending patterns and to be prepared to make economies where possible", according to a spokesman last night. New arrivals should "seriously consider deferring long-term commitments until more detailed information on the new rates of LOA is available".

The strength of sterling against European currencies is one of the reasons given for the latest reduction.

DAILY MAIL

Troops face pay cuts

2\2

BIG CUTS in the allowances paid to British troops in West Germany are likely to be made in April. The 65,000 Army and RAF personnel were warned yesterday to tighten their belts and be prepared to make economies.

The Local Overseas Allowance is to compensate for the higher cost of living in Germany. One of the reasons for the cuts is believed to be the continuing strength of sterling against the European currencies.

DAILY EXPRESS

Services cuts

2\2

BRITAIN'S 65,000 Service personnel in West Germany are to have their allowances cut from April 1.

DAILY MIRROR

BRITAIN's 65,000 Army and RAF personnel in West Germany have been warned to tighten their belts because their allowances will be cut from April 1. 2\2

Servicemen feel the allowances compensate for Germany's higher living costs. A lance corporal in Germany with his wife and one child gets £5.30 a day on top of his pay.

DAILY MIRROR

MEDIASCAN LTD.

AL SERVICE

DATE 01 MAR 1982

12/5

Reagan visit protest call

A CALL for protest action during President Reagan's visit to Britain in June, was unanimously endorsed by the Chile Solidarity Campaign's annual conference at the weekend.

The 130 trade union, political party and local solidarity committee delegates meeting in London, also approved support for the March 28 national demonstration on El Salvador.

The conference heard a member of the largest and most representative trade union grouping in Chile, the National Trade Union Co-ordinating Committee (CNS), clearly accusing the dictatorship of the murder of the Chilean civil servents leader Tucapel Jimenez.

Mr. Jimenez played a crucial role in recent moves to unify the trade union movement, campaigning vigorously for the "Charter of Chile"—a national platform of demands for democratic rights, improvements in conditions, wages and social welfare presented by CNS to the junta.

It is thought that his murder may herald a wave of state terrorist action against public figures similar to that pursued by the dictatorships in Guatemala and El Salvador.

Labour MP and opposition foreign affairs spokesman Stanley Clinton Davis announced the hypocrisy of President Reagan. And Geoffrey Drain, general secretary of the local government union NALGO compared the effects of the monetarism in Chile to the present situation in Britain.

THE SUN

Troops line up behind the big Sun pay battle

2/2

BRITAIN'S Rhine Army soldiers last night gave their blessing to The Sun's campaign to stop their pay being docked.

In camps and Naafis throughout Germany they were "seething" about the Government's plan.

One angry squaddie said: "The lads are close to revolt — but that will never happen.

"We will just have to stand for it as soldiers."

Married men with families will be hardest hit by the cut in overseas allowances.

From TONY SNOW in Dortmund

A soldier with two young children said: "We've heard from people in the Pay Corps that the cut could be as high as 30 to 50 per cent.

"That would be terrible."

The allowance, for 65,000 soldiers and RAF men is to compensate for the difference in living costs between Germany and Britain.

The Government claim inflation and the strength of the pound have reduced the gap.

They are expected to announce an allowance cut of up to 25 per cent, from April 1.

A married corporal, who is based near the British Army HQ at Rheindalen, added:

"The allowance accounts for about a third of my income. I earn £15.41 a day. On top of that I get £7.27 a day allowance.

If I lost £3 a day of that it would mean a £90-a-month cut and that would really pinch.

Money

Whatever way the Government describes it, for us it's a pay cut. And it's not fair.

When the CO told us the cut was coming he advised us not to take on any new financial commitments and to make economies wherever possible.

Married men will be the hardest hit because the allowance is based on rank and the number of kids you have."

He added: "I thought Maggie Thatcher was one for the troops. Now I'm not so sure."

A 25-year-old soldier slammed the plan. He said: "It will mean a drop in living standards and the lads feel it's not fair."

We're going to suffer most, say the wives

By PHILIPPA KENNEDY

ARMY wives fear they will suffer most from the cuts.

A corporal's wife said: "We shall be like prisoners on the base.

"We won't be able to afford to go out for a meal or a drink and that's one of the good things about being abroad."

She added: "We might as well be in Colchester or Aldershot as in a foreign posting, if we can only afford to drink in the Naafi."

Jobs for wives on Army bases in Germany are scarce. Most do not speak German well enough to land work outside.

The wives claim food and clothes are much dearer in German shops.

A small joint of beef costs £4 to £5 and cheddar cheese is £1.10 a pound. A child's anorak is about £22.

THE TIMES

Science report

Computer keeps Met men ahead of the cuts

By Pearce Wright, Science Editor

2/2

The Meteorological Office has stopped its long-range weather forecasting work and a programme of exploration of the upper atmosphere using small rockets carrying scientific instruments to accomodate the Government squeeze on spending. Howevers these research cuts have been offset, to an extent, by the advances being made in developing improved methods for short-range forecasts.

Preliminary results suggest that the Meteorological Office, at Bracknell, Berkshire, will stay leader in this field of research, which costs about £6m a year.

The short-range work is split into three main categories. The first two involve a method of describing the weather systems by hundreds of equations. The first gives a geoneral picture, covering the whole of the northern hemisphere, and the southern hemisphere down to 30 degrees South, which makes it possible to supply from Bracknell flight-planning data to the world's airlines for almost any part of the globe.

The second is for the more detailed regional forecast, for periods of up to 36 hours, derived from analyses of conditions over Europe and extending to the east coast of North America and the Mediterranean.

In both of these mathema- is divided like a mesh, and in tical models the atmosphere the one designed for detailed regional forecasting the size of each segment of the mesh is a block 50 km horizontal length for the most accurate prediction. There is a further sub-division because each block is sliced vestically in up to 15 layers of the atmosphere.

The calculations, which can only be done on the new Cyber 205 giant computer, about 40 times faster than machinery hitherto available, only begins when the observational network of weather stations, satellites, buoys, aircraft and radio balloons provide the necessary temperature, pressure, moisture levels and other data from across the world.

When those figures are fed into the equations, the computer works out the interactions in progress in the weather machine.

The plans for transferrin this work from research t an operational forecastin system is described by Dr K H. Stewart, director of re search, in the annual repor of the Meteorological Office

He says significant im provements have bee achieved by using an earl version of the model for de tailed analysis of the regiona conditions. It has been pos sible to extend the period o predictions for guidance fron about 48 hours to more thai four days.

At local level Dr Stewart's research group has a tria project of short period fore casting, up to six hour ahead, of cloud and rainfal patterns. The scheme is combined piece of applie and fundamental resear leading both to an impr ment in forecasting a deeper understanding cloud formation and d sal.

The main source of for the study is the Eur weather satellite, Met transmitting pictures of c cover to a ground station Malvern, Worcestershire. addition a network of speci radars at Camborne, in Corn wall, Upavon, in Wiltshi Clee Hill, in Shropshire, and Hameldon Hill, in Lancashire, is monitoring rainfall. They transmit every 15 minutes over telephone lines a pattern of rainfall to the centre at Malvern where the data is combined to form a composite picture of the weather over the country as a matrix of 5km squares.

II

5

going to be profitable in future."

Mr Asquith says that the stewards always accepted that it would take several years for the alternative products in their corporate plan to come on stream — which was why they urged Lucas in 1976 to prepare for the sort of crisis that has now hit Burnley.

The likeliest product would be heat pumps for low energy housing, two of which were manufactured experimentally before a Government grant for the project was withdrawn.

"Our position is that Lucas has made £7½ million out of Burnley in the past two years and they must use that money to maintain a reasonable level of workforce here after those who wished to retire have done so," says Mr Asquith.

"They should use the research and development facility here to bring on alternative products which will create work on the shop-floor."

THE SUN

TORY MP BACKS THE SUN

2/7

THE SUN'S campaign to stop cuts in allowances for British troops overseas is being backed by ex-defence minister Keith Speed.

He declared yesterday: "We will see that servicemen get a fair deal in this."

Mr Speed, Tory MP for Ashford, Kent, was sacked as Under-Secretary of State for the Navy last year in a row over defence cuts.

Warned

He stepped forward after The Sun reported that servicemen had been warned of cuts to their local overseas allowance from April 1.

Troops serving in Germany are especially furious because of the high cost of living there.

They claim money could be saved by cutting down on civil servants at service bases.

An RAF sergeant at Rheindalen, West Germany, declared: "They live rent free, and don't even pay for heating or lighting."

DAILY EXPRESS

We'll attack the British, say rebels

2/8

By MICHAEL EVANS in Nairobi

A TEAM of British soldiers due to fly to Uganda to act as advisers were warned yesterday to keep out or face rebel gunfire.

The warning was given by Francis Dwengye, a leader of the underground movement trying to topple President Milton Obote.

He said: "If Britain sends military advisers to Uganda, they will be regarded as our enemies. They will become targets for the guerrillas."

Britain is sending a 36-strong military training team, under Colonel John Claverring, to instruct Uganda's police and army.

An advance party is expected to arrive in Kampala at the weekend as guerrillas plan a new offensive against the Obote régime.

Dwengye visits London each month to help mobilise sympathy for the guerrillas. "We advised against the British coming out here," he said.

Rifles

"Obote believes in the gun rather han negotiations," he claimed. "We've got over 2,000 rifles now and we believe we have the people behind us."

London is the international base for three co-ordinated Uganda "freedom" movements.

Former Uganda president Professor Yusufu Lule, is a leader of the umbrella organisation, the Uganda Popular Front. He lives in Knightsbridge.

Apart from Obote, the rebels' main target of hate is Uganda's Vice-President Paulo Muwanga.

He owned a fish and chip shop in Bromley, Kent, while in exile during Idi Amin's murderous rule.

MORNING STAR

Council and CND expose 'civil defence'

2/3

Morning Star Reporter

LAMBETH council in London launched a campaign yesterday in conjunction with the local CND, churches and neighbourhood groups, to expose the "total sham" of the government's nuclear war civil defence emergency plans.

Council leader Ted Knight told a press conference that copies of the government's nuclear war emergency plans would be made available for public inspection at three public libraries and the town hall.

A fortnight of events organised by CND with the council's backing, includes 14 exhibitions and the showing of the anti-nuclear weapon films The War Game and Jonathan Dimbleby's The Bomb.

A double-decker peace bus was to visit organisations including schools, tenants' bodies, and religious organisations from whom it had received invitations, the bus would contain exhibition material and there would be talks on the issues.

CONFIDENTIAL

ec. JL RW

10 DOWNING STREET

From the Private Secretary

15 March, 1982.

London Weighting for the Armed Forces

The Prime Minister was grateful for your Secretary of State's minute of 24 February about the Armed Forces Pay Review Body recommendation on London Weighting for the Armed Forces.

The Prime Minister agrees with your Secretary of State's conclusion that the Government should implement the Armed Forces Pay Review Body's recommendations in full. She has commented that she is not prepared to overturn the AFPRB for such a small sum, in view of the Government's unblemished record so far with the Review Body.

I am sending copies of this letter to Peter Jenkins (HM Treasury), Barnaby Shaw (Department of Employment), John Halliday (Home Office), and David Wright (Cabinet Office).

M. C. SCHOLAR

David Omand, Esq.,
Ministry of Defence.

CONFIDENTIAL

SW.

CONFIDENTIAL

cc JV

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

PRIME MINISTER

LONDON WEIGHTING FOR THE ARMED FORCES

John Nott consulted me on a number of occasions about the case, set out in his minute of 24 February to you, for full implementation of the Armed Forces Pay Review Body's recommendation concerning London Weighting allowance for the armed forces.

2. As he knows, I do not accept it, for a number of reasons. First our commitment to the armed forces covers pay; it does not extend to allowances or conditions of service. Secondly, our commitment, if it were held to be relevant to London Weighting Allowance, is to maintain comparability. The proposed increase in this allowance is based on straight indexation, without reference to outside analogues. Thirdly the scale of the recommended increases - between 10.5 and 17.5 per cent - is so large by comparison with what we are permitting in the case of other public services groups that the repercussions could be considerable. In the Civil Service the London Weighting award was cut from the 14 per cent recommended (on the basis of similar indexation) to 7 per cent. And it appears that there is no scope for offsetting concessions elsewhere, as in the case of the 11.7 per cent increase for the police. Fourthly, while John may envisage no announcement, the fact is that news of the scale of the increase would be bound to get about; and it would convey precisely the opposite message to the one we need to get across at this delicate stage in the general pay round.

3. In short, our first class record on Armed Forces pay would be unaffected by a 7 per cent increase in London Weighting Allowance; whereas increases of up to 17.5 per cent could prove very damaging.

4. A copy of this minute goes to John Nott.

(G.H.)

11 March 1982

PART 1 ends:-

JV to MCS 25/2/82

PART 2 begins:-

Ch/Ex to PM 11/3/82

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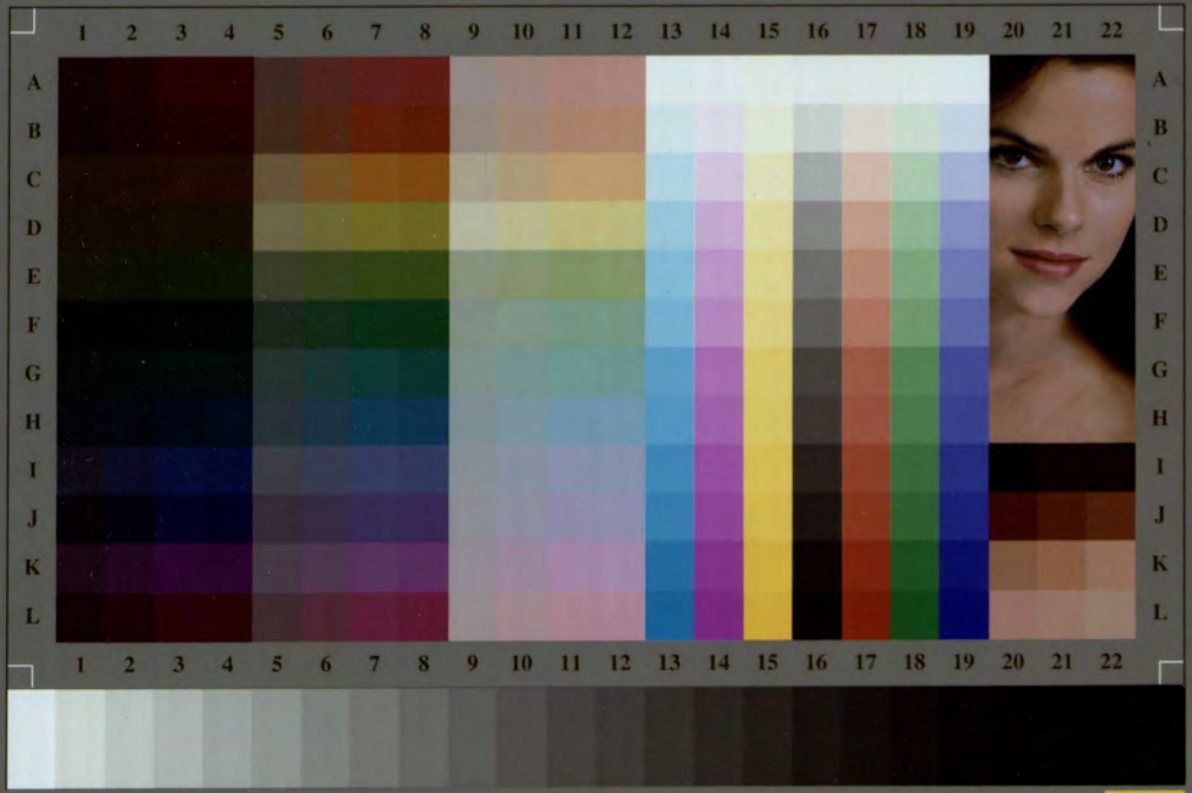

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